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BUSINESS WEEK

A McGRAW-HILL PUBLICATION

FIFTY CENTS

DEC. 27, 1958

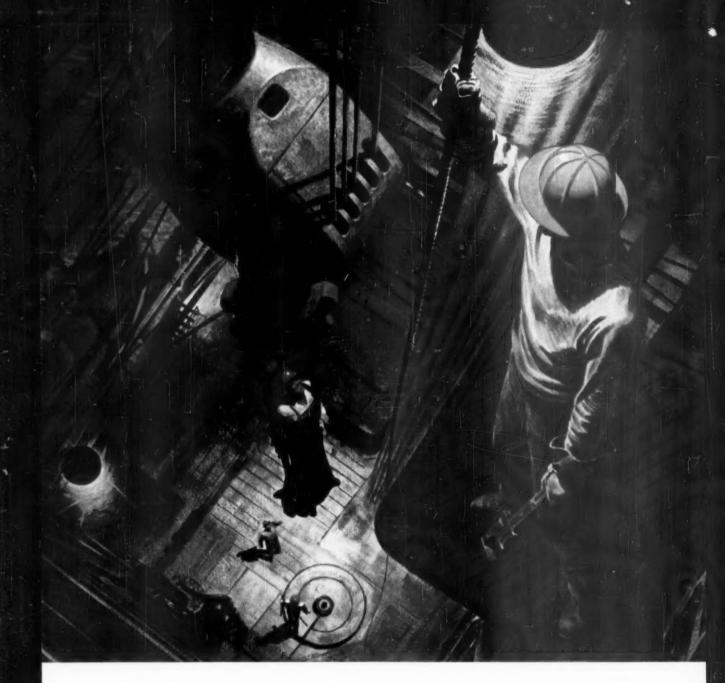
BUSINESS WEEK reports on . . .

A Half-Trillion-Dollar Economy

- ► That's the U. S.—in 18 months or less
- ▶ It's unbelievably rich and diverse
- ► It's a new economy, grown beyond the needs born in war and depression
- In sheer size, in newness, it poses wholly new opportunities, problems, decisions
- ▶ In 1959, with the recession behind them,
 businessmen will get a look at the way the
 economy is likely to operate in the 1960s.

Page 36

STEWENSTRY MICHORPHIANS
SIZ W IST ST
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"ROUGHNECKS" IN ACTION ... and this phrase

describes the equipment, as well as the men who handle such back-breaking work! Bearings, for instance, have to operate efficiently under tremendous loads around the clock . . . day in, day out. Bower cylindrical roller bearings are engineered for jobs like this-incorporating such advanced design features as integral thrust shoulders and raceway, and improved internal construction. Painstaking quality control makes them last longer, require little or no maintenance. If you use bearings, be it for original equipment or replacement, specify Bower!

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FIGURES OF

170 1947-49=100			19	47-49=10	0 170
160					160
150	10.50				150
140	1958				140
130		1	W		130
120	m.	/ Y			
110	~				120
1953 1954 1955 1956 1957 ^J F	MAM	1 1	A S	ON	110
	1946 Average	Year Ago	Month Ago	Week Ago	§ Late Wee
BUSINESS WEEK INDEX (chart)	91.6	136.6	136.9	†145.0	*145
RODUCTION					
Steel ingot (thous. of tons)	1,281	1,366	1,988	2,011	1,8
Automobiles and trucks	62,880 \$17,083	\$42,039	\$50,537	\$59,875	\$61,4
Electric power (millions of kilowatt-hours)	4,238	12,412	12,579	13,450	13,5
Crude oil and condensate (daily av., thous. of bbls.)	4,751	6,915	6,975	7,097	7,0
Bitumineus ceal (daily av., thous. of tons)	1,745 167,269	1,529 290,705	1,467 306,086	†1,461 309,537	1,4° 295,9
	107,207	210,703	500,000	007,507	213,1
RADE Carloadings: mfrs., miscellaneous and i.c.l. (daily av., thous. of cars)	82	59	62	59	
Carloadings: all others (daily av., thous. of cars)	53	42	45	40	
Department store sales index (1947-49 = 100, not seasonally adjusted)	90	285	157	†244	2
Business failures (Dun & Bradstreet, number)	22	276	260	267	2
RICES					
Spot commodities, daily index (Moody's, Dec. 31, 1931 = 100)	311.9	393.4	395.6	390.7	39:
Industrial raw materials, daily index (BLS, 1947-49 = 100)	††73.2 ††75.4	84.3 85.1	91.1 83.5	89.3 81.6	8
Print cleth (spot and nearby, yd.)	17.5€	17.8€	18.1€	18.2∉	18.
Finished steel, index (BLS, 1947-49 = 100)	††76.4	181.7	1186.9	1186.9	186
Scrap steel composite (Iron Age, ton)	\$20.27	\$32.83	\$40.50	\$39.83	\$39.
Copper (electrolytic, delivered price, E & MJ, lb.)	14.045¢	26.950¢	29.065€	28.990€	N
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.)	\$1.97 **30.56¢	\$2.18 34.94¢	\$1.99 34.74¢	\$1.98 34.37¢	\$1. 34.3
Weel tops (Boston, Ib.)	\$1.51	\$1.85	\$1.66	\$1.62	\$1.
	y	41.00	41.00	1	***
INANCE 500 stocks composite, price index (S&P's, 1941-43 = 10)	17.08	39.57	52.23	53.45	53.
Medium grade corporate bond yield (Baa issues, Moody's)	3.05%	5.00%	4.85%	4.84%	4.85
Prime commercial paper, 4 to 6 months, N. Y. City (prevailing rate)	3/4-1%	33/4 %	31/8 %	3 3/8 %	33/8
ANKING (Millions of Dollars)					
Demand deposits adjusted, reporting member banks	1145,820	56,651	56,846	58,858	N.
Total loans and investments, reporting member banks	††71,916	88,578	93,777	95,134	N.
Commercial and agricultural loans, reporting member banks	119,299	32,305	30,608	30,804 31,877	N.
U. S. gov't guaranteed obligations held, reporting member banks Total federal reserve credit outstanding	1149,879 23,888	26,010 26,218	31,268 27,087	27,847	28,3
ONTHLY FIGURES OF THE WEEK		1946 Average	Year Ago	Month Ago	Lates
Cost of living (U. S. Dept. of Labor BLS, 1947-49 = 100)November		83.4	121.6	123.7	123
McGraw-Hill Indexes of New Orders (1950 = 100) New orders for machinery, except electrical (seasonally adjusted). November.		N.A.	121	152	14
Construction & mining machineryNovember		N.A.	119	159	14
		N.A.	133	123	1
Engines & turbinesNovember					
Pumps & compressorsNovember		N.A.	142	175	18
Pumps & compressors November Metalworking machinery November		N.A.	98	112	18
Pumps & compressorsNovember		N.A.			

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Donald MacGregor, Vice President - Production, Zenith Radio Corporation

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READERS REPORT

Right of Access

Dear Sir:

The article entitled Right of Access in the Trend [BW-Nov.15'58, p152] makes two propositions in respect to businessmen and regulatory agencies:

(1) "That a man is entitled to make the best possible case for him-

(2) That applicants must "always have the right of access to the officials who are doing the regulating."

The House Committee on Government Operations during the past year proposed about 80 questions to government agencies having administrative functions. These questions were intended, in part, to differentiate between the rule-making powers (which are legislative in their nature) and the adjudicatory powers of the various agencies. . . .

Generally speaking when a regulatory agency is engaged in what is called rule-making it is, in essence, establishing regulations which have the effect of law. This process is very like that engaged in by Congress in enacting legislation and interested parties customarily press their often conflicting views upon Congressional committees while the legislation is pending. This is understood, expected, and may even be considered a part of the right of petition.

On the other hand, after a law is passed, or after a rule is made, questions involving its violation or enforcement are judicial matters to be considered by the courts on the one hand, or by the regulatory commission acting in an adjudicatory capacity on the other. For an interested party to have "the right of access" to commissioners sitting in an adjudicatory capacity may differ in degree but not in kind from having a "fix" in with the Chief Justice of the United States. .

ORVILLE S. POLAND

GENERAL COUNSEL

CONGRESS OF THE UNITED STATES HOUSE OF REPRESENTATIVES COMMITTEE ON GOV'T OPERATIONS

WASHINGTON, D. C.

A Competitor's View

Dear Sir:

Congratulations on a very fine article concerning the use of computers and process control. Next-Computers Run Plants [BW-Nov. 22'58.p64].

I believe Reader Jones is also to

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be congratulated for his pioneering efforts in this field. Although a competitor, we are fundamentally all striving for the same goal, namely, higher productivity per man hour through computers. It seems also to me that the tremendous challenge in America today for competitive survival under foreign imports is in this field. . . .

JOHN F. PINK

SENIOR ENGINEER
INSTRUMENTATION DIV.
SOUTHWESTERN INDUSTRIAL
ELECTRONICS CO.
HOUSTON, TEX.

An Extra Zero

Dear Sir:

Your Regions Editor did a superb job in quickly summarizing the recent upturn in Puerto Rico's "Operation Bootstrap" industrialization program [BW—Nov.29'58,p103], but a single typographical error may have somewhat confused the direction of one paragraph.

The story says that from August to October, 1958, "bootstrap" supplied 4,300 new jobs as compared to "17,000 jobs during the period a year ago." This last figure should be 1,700 not 17,000.

I must admit, though, that Puerto Rico's economy, although rapidly climbing, could still do with that extra zero!

TED M. LEVINE
DIRECTOR OF PUBLIC RELATIONS
ECONOMIC DEVELOPMENT
ADMINISTRATION
NEW YORK, N. Y.

Geographic Switch

Dear Sir:

If the proposed merger of the Norfolk and Western Railroad with the Virginia RR goes through as illustrated in your map [BW—Nov. 29'58,p50], there will have to be a drastic geographical change. In the map of the proposed merger the present positions of Roanoke and Lynchburg are switched. Unless something is said to console the residents of these two cities, I am afraid there is going to be a great deal of opposition to the merger from their citizens....

JEFF MANLEY

PORTSMOUTH, OHIO

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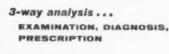
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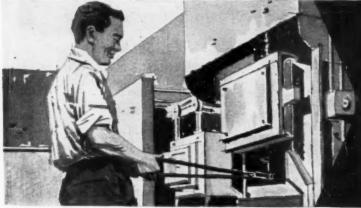




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METALLURGICAL TEAMWORK PRODUCED THESE COMPETITIVE ADVANTAGES

Metallurgists of Bendix Products Division, Bendix Aviation Corporation, undertook a program to improve processing deficiencies of steels used for aircraft landing gear. Republic was consulted and the program outlined. Republic's 3-D Metallurgical Service Team went into action. The field metallurgist worked closely with Bendix personnel right in their own plant under actual operating conditions. Findings were supplemented and co-ordinated by two other members of the Republic team—the laboratory and mill metallurgists. The result: development of a new grade of steel, ideal for landing gear application to withstand shock, impact, strain, and vibration.



On the advice of a Republic Pig Iron Metallurgist, Atlantic Foundry Company, Akron, Ohio, switched to Republic Chateaugay Pig Iron as the base metal for ram and cylinder castings used in hydraulic presses. The result: stronger castings, higher wear-resistance, better machinability, and the decided competitive advantage of passing along a 21% saving to customers. Atlantic's Vice President of Iron Foundry Operations says, "Another thing we like about Republic, aside from the year-in, year-out uniform chemistry of Chateaugay, is the Field Engineering Service you give. When we have a foundry problem and put in a call for help, your metallurgical engineers are Johnny-on-the-spot, talking a language we can understand. Then it's not long before the problem is solved."



At the suggestion of Republic's Steel and Tubes Division, American Machine and Foundry Company is saving \$34,000 in manufacturing the famous AMF pinspotter. They had been using steel tubing that required a boring operation on each end and centerless grinding on the O.D. Because Republic ELECTRUNITE® Mechanical Tubing easily met tolerance requirements, AMF was able to eliminate boring and grinding operations. This meant an immediate \$15,000 savings in fabricating. Another \$19,000 was saved on the cost of ELECTRUNITE compared with the tubing previously used. In uniformity, in quality, in fabricating, and in original cost ELECTRUNITE Mechanical Tubing could save you money, too. Call your Republic representative, or send coupon.



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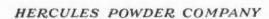


REACH FOR SPACE. From satellites to" Project Moon"; from Nike missiles for defense to ICBM's for retaliation; today man's mastery of space is becoming ever more apparent. Hercules, through its Chemical Propulsion Division, is playing a role in these new achievements of science. Hercules has been making solid propellants for rockets since 1942, advancing performance characteristics through continued research and development. These adventures into space are a combined effort of American industry and government. Hercules takes pride in whatever services it can render.

RECORD PROGRESS OF MULTI-COLOR. The development of multicolor lacquer, a revolutionary new finish for interior, exterior, and product application, is documented in a 19minute color motion picture



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CHEMICAL MATERIALS FOR INDUSTRY

HERCULES

BUSINESS OUTLOOK

BUSINESS WEEK DEC. 27, 1958 Inventory accumulation will be a major recovery force next year.

Homebuilding looks sturdy, at least for the next several months.

But will autos do their part? That's the puzzler for 1959.



A modest motor car year will mean moderate business recovery. But, if car sales push above 6-million, there'll be power in the drive.

So people who buy new cars—or don't buy them—hold the key.

Recovery got started last spring in spite of autos rather than because of them. It has kept going despite Detroit's problems. Yet it is hard to envision a truly Happy New Year without an auto comeback.

Consumers will have the money to spend next year.

Personal income should be up by \$15-billion, probably more. After taxes, people should have an additional \$12-billion or so to spend. Not to mention the probability of a \$2-billion or \$3-billion rise in installment credit—nor a lower rate of saving in 1959.

If about \$2 $\frac{1}{2}$ -billion more, out of all those billions, went for new U.S.-made cars (which isn't at all unlikely), then we'd have it made.

Total retail sales next year should rise by at least \$10-billion from the \$200-billion total reached in both 1957 and 1958.

The distribution of the additional trade, however, is unlikely to follow the patterns of 1958, when more went for food, less for durables such as autos and home appliances.

Retail sales of automotive products—new and used cars, parts, etc.—fell to \$34-billion this year, down \$4½-billion from 1957. Other durable goods lost about \$500-million at \$29.3-billion.

Thus turnover in consumer durables has to rise \$5-billion just to get back to 1957's dollar volume (without regard for prices).

Durable goods can recapture \$5-billion or so out of total spending in retail stores without harming the prospect for nondurables.

In other words, on the present prospects for income, there should be an extra \$5-billion for each type of goods next year.

But the share of the consumer dollar will change.

People spent 68ϕ out of each retail dollar on softgoods this year—the highest ratio in a decade. In 1957, it was only 65ϕ .

Factory capacity won't be strained (nor will supplies of material and manpower) simply by a \$10-billion rise in retail sales next year.

The pressures, if and when any develop, will have to arise from business investment in conjunction with consumer spending.

Now, and for several months to come, business will be increasing its

BUSINESS OUTLOOK (Continued)

BUSINESS WEEK DEC. 27, 1958 **Investment in inventories.** Just buying to keep even with the larger volume of business, quite aside from increasing reserve stocks, will brighten the prospect for plants supplying materials and parts.

However, the upturn in business spending on new plant and equipment probably won't make itself very strongly felt before mid-1959.

There's no reason to expect any scramble for inventories before next September—if you are bold enough to rule out:

- · A long steel strike next summer.
- · Auto output at a 7-million-a-year clip this spring.

Suppose autos are going that strongly in March. There'll be competition for steel and nonferrous metals. Then the chances of a steel strike would prompt overbuying. All in all, it could get rough.

Housing will do its part to keep business active until such time as industry starts expanding and modernizing again.

Along about then, it's likely there will be too little money to go round; housing, as usual, will be pinched back by high interest.

Homebuilders, if they lump together the second half of 1958 and the first half of 1959, will have something to shout about.

They're closing out the old year with starts running at an annual rate of more than 1.3-million (seasonally adjusted). That will probably carry over several months into 1959.

Construction generally will show an increase in dollar volume next year (as it has been doing every year). However, there has been very little gain in **physical volume** after allowance for prices, and that probably will hold true when 1959 is compared with 1958.

Moreover, the volume of construction as we enter 1959 will be very nearly as high as we're going to go, seasonal factors considered.

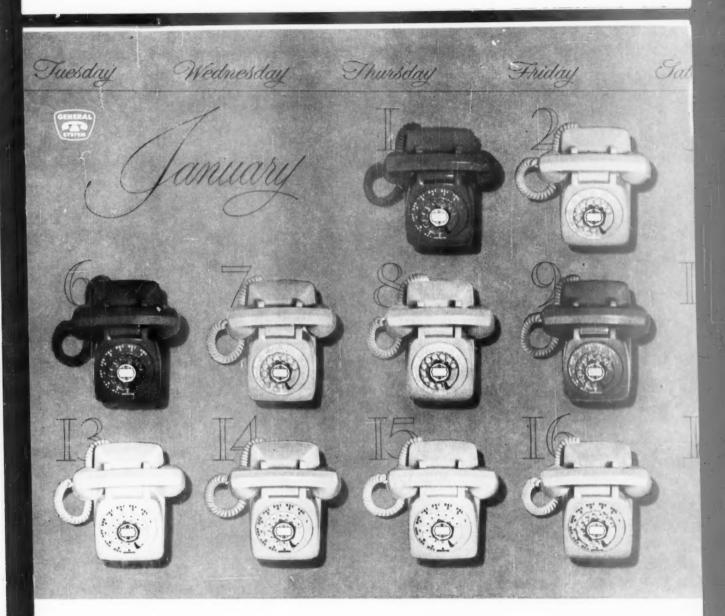
Rather clear patterns, to sum it up, can be seen in next year's business:

- Consumers will go on increasing their expenditures on food and other softgoods—but not so rapidly as in 1958 (and with some reason, for food next year will average cheaper than this year).
- Durable goods will bid for, and probably get, a much more nearly normal part of the retail dollar.

Inventory purchases and homebuilding will be dynamic factors in the recovery in the next few months. Autos undoubtedly will do better than last year; if they turn in a really good performance, business will not lack for stamina from now to midyear.

And about the time some of these industries begin to slow down, we'll have a revival in business investment in plant and equipment.

This sort of timing should rule out any major relapse in 1959.



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	Chart at Right Identifies Bearings Pict Use Squares to Check the Information	fured Above	Name
100	Clark Pow Deep	nge Beering.	Title
ğ	2 Lubricated-for-life Bearing 6 Dou	uble Row Bearing 3	Company
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4 33	4 Pillow Block Bearing. 8 Fan.	and Water Pump	Fower Honed and Micro-Veluet are Hoover tradsmarks. *TEFLON is a DuPont trademark.

Eisenhower Wars on Spending

Never pleased with big government and the budgets necessary to sustain it, the President has renewed his campaign.

For fiscal 1960, he proposes a balanced budget with a ceiling of \$77-billion—mostly by cutting civilian proarams.

In so doing, he faces opposition from liberals in his own party and from the Democratic Congress.

Pres. Eisenhower this week began a last-ditch fight with Democrats—and liberals in his own party—to slash the size of the federal government.

He began his drive by announcing he would send to Congress next month a balanced budget for fiscal 1960, calling for expenditures and receipts in the area of \$77-billion.

This means he will recommend cutting about \$3.4-billion from the current year's spending, all from civilian programs. Military spending, he says, will be somewhat higher. It also means he hopes for a \$10-billion jump in revenue—mostly from a rise in business, plus smaller amounts from increases in postal rates and gasoline taxes.

Widespread doubts about both the revenue and receipts figures are being raised by both Republican and Democratic lawmakers. Congressional leaders are practically unanimous in predicting that Eisenhower's \$77-billion spending ceiling will be penetrated. Many feel that outlays will again hit the \$80-billion level expected this year.

• Strategy—In announcing the size of the next budget three weeks before

the next budget three weeks before sending the document itself to Congress, Eisenhower broke with a long-standing Washington tradition. He jumped the gun, hoping to arouse as much public support as possible for his economy drive before the lopsided Democratic majorities in House and Senate take over when Congress convenes Jan. 7.

Though his chief target clearly is the huge Democratic majority, his move also challenges two groups in his own

A liberal group in the Administration including Arthur Flemming, Secretary of Health, Education & Welfare, and Labor Secy. James Mitchell. This group has looked to Vice Pres. Richard M.

Nixon as their leader—and Nixon must now decide whether to join Eisenhower in the new economy crusade, or to withdraw from it as a danger to his chances in 1960.

If Nelson Rockefeller, governor-elect of New York, were not in the GOP picture, Nixon could stick with Eisenhower without much risk. But Rockefeller, now the hero of GOP liberals, will become a rallying point of anti-Nixon strength if Nixon remains closely tied to the new Eisenhower drive.

Liberal GOP members of Congress, who have been trying to weaken the grip of Minority Leader Joe Martin in the House and Sen. Styles Bridges, chairman of the Senate GOP Policy Committee. Eisenhower makes it clear that leaders of the Martin-Bridges stamp, with long records of opposition to big government, suit his present mood exactly.

• Uneasy Spender—Eisenhower has never been happy as a spender, though he has watched outlays shoot up some \$14.6-billion in the past four years. Late in this year's session, he began to rebel, vetoing one spending measure—an increase in federal aid for airport construction—and actively opposing others.

The Democratic sweep in November seemed to harden his anti-spending instincts. He warned right after the election that he would make economy the key issue in a running fight with Democrats over the next two years.

• Repeat of 1953—Now he has fired the first blast. From now on, aides say he will repeat the performance of his first six months in office in 1953, when he ordered a free-swinging assault on Pres. Harry Truman's spending levels. He told department heads to cancel new projects, halt spending on some already under way, and to slow down the pace on others. This drive resulted

in a \$6.5-billion slash from totals proposed by Truman in his final budget message to Congress. However, twothirds of this came out of the military, made possible by an end to the fighting in Korea.

Eisenhower did achieve another cut his second year in office—this time \$3.2-billion. The entire reduction of close to \$10-billion in his first two years came out of programs classified as "major national security." Spending for all other purposes, after a \$2.5-billion dip the first year, was back to the Truman level by the second year. It has mounted steadily ever since.

• Civilian and Military–Eisenhower's low point for civilian programs was just under \$20-billion in fiscal 1954. This year, these programs will hit \$32.4-billion. And this does not include outlays of \$2.3-billion for the interstate highway system, which are handled separately. During the same period–fiscal 1954-59–national security spending dropped \$1.1-billion under 1954's \$47.9-billion. The decline was made possible by drastic cuts in stockpiling, which more than offset rises in the cost of modern arms.

The rise in armament spending did not begin until fiscal 1957, after Eisenhower had been in office three years, and the rise still comes to only \$5-billion more than the low in fiscal 1956. It has not yet caught up with what it was in fiscal 1954, the first budget completely under Eisenhower's control.

• Where to pare—The bare arithmetic of Eisenhower's new economy drive is simple enough.

On the spending side, he will propose a \$77-billion spending ceiling, including the highest peacetime spending in history for defense. Major national security items are budgeted for \$46.9-billion this year and are likely to go higher. Eisenhower's plan for next year is likely to call for something close to \$48-billion.

This would leave \$29-billion for all other activities, compared to \$32.4-billion being spent this year.

The indicated cut of \$3.4-billion is being greeted skeptically by lawmakers in both parties.

• Non-recurrent items—Some of the reductions Eisenhower has in mind are really non-recurring expenses that are pushing this year's spending toward the \$80-billion mark. Some \$400-million was the cost of extending unemploy-

ment insurance during the recession. Another \$300-million went to the Federal National Mortgage Assn. to boost housing starts. The acreage reserve part of Benson's soil bank has already been killed by Congress, and this will save some \$600-million.

Such non-recurring expenditures may run \$1.5-billion or more, leaving Eisenhower about \$2-billion to take out of current programs, many of them dear to the hearts of the spenders in Con-

One of the President's proposals is a rise in postal rates-which, because it cuts down the expenses of running the Post Office, will show up in the budget document as a spending cut. Eisenhower will ask Congress to raise the first-class rate on intercity mail to 5¢ per oz., which would reduce net outlays by \$330-million. He also has in mind an increase in parcel post rates to bring in about \$80-million. These rate increases will run into particularly heavy Congressional opposition.

Spending for rural electrification and veterans has been singled out by Budget Director Maurice H. Stans as areas where cuts should be considered. Other programs where Eisenhower may request cuts are slum clearance and urban renéwal, college housing and Veterans Administration housing loans. He is also planning a sizable slash in pavments to farmers for conservation prac-

· Recovering Revenues-On the revenue side, the chief reliance is on a pregeared to a strong upbeat for business

Tax rate increases will be limited, in the President's plan. The big one will be a rise in gasoline excises. On automobile fuel, the requested rise is likely to be from the present 3¢ per gal. to

either 4e or 41e.

The Administration is set to propose an increase in the 2¢ tax on aviation gasoline also, starting with 1½¢ per gal. and working up to a 4.5¢ increase over several years. This would yield \$40million the first year and \$200-million eventually. At present, aviation gasoline receipts go into the highway trust fund, but Eisenhower will probably ask that they be switched to general revchues.

A charge against users of federal waterways is also under consideration. Eventually, the aim would be to bring in the whole cost of operating waterway projects of the Army Engineerssome \$290-million last year. Eisenhower may shoot for this sum, perhaps in the form of increased marine fuel taxes. This has been proposed before but never pushed in Congress.

dicted jump of some \$12-billion in corporation profits next calendar year over the estimated level for 1958. This would bring in about \$6-billion more revenue. Increases expected in personal income taxes and excises are also

Wall Street

The bull market of 1958 carried equities to their highest station in life yet—and the pros think '59 will continue the trend.

The chart at right is an almost classic profile of a bull market. If it has any flaw at all, it lies in the relative infrequency of major technical corrections. The reason for this was mostly that investors, large and small, kept pouring funds into the market, bidding up the price of almost every issue. For 1958 proved to be the year when equities achieved new status and respectability.

This week, the stock market was near the record highs reached earlier in the month. The betting is that 1959 will see even higher stock prices. According to most brokers, there's still plenty of demand for common stocks.

To some Wall Street veterans, the cult of equities has some ugly parallels to the New Era of the late 1920s. They are worried by the fact that stock yields have dipped below the yields available on high-grade bonds. And they feel that the abandonment of historical price-earnings ratios means the future is being discounted too far. If the economy does not have an inflationary binge, they warn, many of today's stocks are much too high.

Forecasting Business Inventories

Commerce Dept. is perfecting a technique for making more accurate estimates of manufacturers' stocks.

The toughest nut to crack in shortterm business forecasting-and, most economists would agree, the most crucial-is inventories. Now it looks as though the Dept. of Commerce may be on the way to a solution.

During the past year, Commerce has run two trial surveys of more than 1,500 manufacturing companies, accounting for about 50% of the total value of manufacturing stocks, to see how well companies could predict their inventory levels three months ahead.

· Correction Trend-Both surveys correctly forecast that manufacturers' stocks would decline, but both underestimated the extent of the decline. The first survey, conducted in the last quarter of 1957, predicted a \$1.8-billion decline in manufacturers' inventories in the first quarter of 1958; the actual decline was \$2.2-billion. The second survey, run in the second quarter of 1958, forecast that stocks would be down by \$1.6-billion more; the actual drop-based on July and August data only-amounted to \$2.5-billion.

Commerce finds that the first two surveys "have offered hope that a useful tool of analysis of short-run business fluctuations might be provided with some more development work." It hopes to add wholesalers and retailers. Commerce has the funds and will go on with this development work.

· Better on Inventories-One striking finding of the first two surveys was that manufacturers were much better at predicting their inventory levels one quarter ahead than they were at doing the same thing for sales. This suggests that manufacturers set pretty specific inventory targets and adjusted production schedules to achieve them, regardless of how much their sales forecasts

The survey also shed some light on the way the mood for liquidation spread among businessmen. In the last quarter of 1957, companies holding 37% of all stocks thought their inventories were too high; in the second quarter of 1958, this percentage had climbed to 50%.

I. Unlike the Twenties

But if today's stock market does have some resemblance to the wild and unstable market of the 1920s, there are some important differences. These differences, moreover, appear to be much more marked than the similarities.

The first important difference is the changed character of the U.S. economy. In the 1920s and 1930s, there were sharp cyclical movements that produced wide swings in personal income and profits. The stock market reflected those swings, booming when times were good, plummeting when business tightened its belt. It was only in the last stages of the 1929 boom, which was clearly a flight from reality. that investors paid little heed to actual earnings and profits in their buying.

· Fears Confounded-There's considerably more stability in today's economy. Only a year ago, many of the men who manage the portfolios of the nation's big investment institutionsmutual funds, life insurance companies, pension funds, bank-administered trusts -were following an extremely cautious investment policy. They feared that unlike the two previous postwar recessions, the 1958 downturn might de-

Hopes to Stay Astride the Bull

teriorate into a depression. Even those who were convinced that no depression was likely expected that the upturn

would be painfully slow.

To these worriers the speed with which the economy recovered came as a surprise. Professional market men were also surprised at the even more vigorous snapback in stock prices. But considering the short duration of the economic downturn, the rise in stock prices is not astonishing. Thanks to the increasing stability of the economy, many companies faced only a short period of shrinking profits.

· Big Steel's Graduation-Some companies were able to operate in the black even during the recession. U.S. Steel, for example, was once considered a feast-or-famine enterprise because of the way its earnings fluctuated. But it has now graduated to the ranks of investment-grade securities. Its price-earnings ratio, historically around 8 to 1, is being revised upwards as a result of its improved performance. The same holds true for many other issues.

The increasing stability of the market has had other effects on investors. For one thing, it's now standard operating procedure in any downturn to ease credit, and this increases the funds available for investment in stocks.

A less evelical economy, though, means that there is less swinging from stocks, which do well in prosperous times, to bonds, which perform best in contractions. This year, in fact, investors who speculated in bonds were badly burned, and the debacle in government securities last summer bolstered the new preference for stocks.

II. Equities Get Some Class

The fact is that the professional investment community now considers that more buying of equities is called for, because the economy has demonstrated resistance to decline but not to inflationary forces. Thus, the pros believe, stocks should be bought both for growth and as a hedge against inflation. As long as the inflationary potential remains, fixed-income securities cannot compete with stocks.

· Behind the Vogue-The institutional investors are largely responsible for promoting the new prestige of common stocks. Every institution now considers equities an essential part of an investment portfolio, and in most cases, it is a growing part. The last big holdout, American Telephone & Telegraph's pool of pension funds, announced that it was purchasing equities last summer -a move that has been imitated by a number of smaller holdouts (BW- 575 This Year's Stock Market 500 @BUSINESS WEEK

Sep.20'58,p31). A number of banks have recently increased the proportion of equities in the trusts that they man-

This institutional trend has had a big influence on the public. They have been buying more and more shares of mutual funds, which have emphasized the desirability of stock investments. Even more important, they are going into the market to buy stocks in ever increasing amounts. This year, volume on the New York Stock Exchange reached the highest level since 1933.

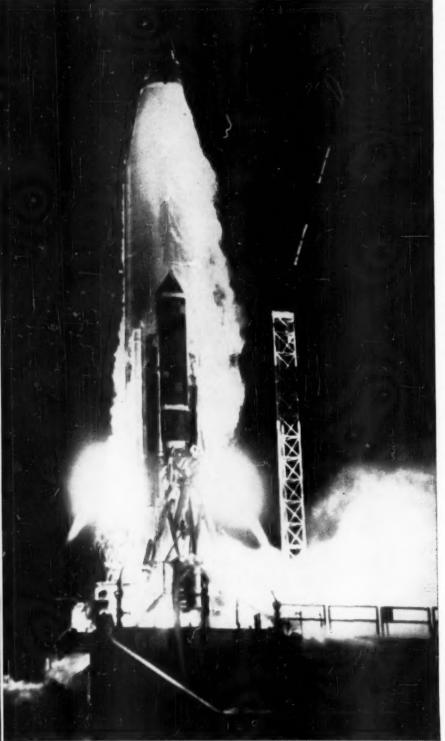
The kind of equity consciousness now prevailing among investors may lead to excesses. Certainly, there is too great a concentration on a limited number of blue-chip stocks, which means that they are bid up because demand far exceeds supply. And there are some signs of the "get rich quick" sentiment that prevailed in the late 1920s.

· Merry Christmas-But most brokers believe there are enough safeguards to

prevent serious trouble.

This week, celebrating one of the lushest Christmases ever, they were looking forward to 1959. Because business activity is still on the upgrade, most of them think stock prices will also be higher. They do not think the rise can continue at the same rapid pace recorded this year. Instead, they are looking for many more technical setbacks, which, as they see it, "will be the times to buy." As one happy broker summed up: "The only people who are losing money are those who don't believe the rise is real."

Atlas Shows It Can Hit Any Target



BLASTING OFF from Canaveral, the 41-ton Atlas heads upward. For the military, biggest triumph was remarkable precision of its self-contained guidance system which slipped the mighty missile precisely into a pre-programed orbit.

Two significant military facts emerged from last week's successful firing of an ICBM into a satellite orbit:

The U.S. has been able to extend the range of its first ICBM to a point at which it can probably put it down almost anywhere on the earth's surface.

 The guidance of the Atlas is accurate and reliable far beyond expectations.

This means that the U.S. is today about on a par with the Soviet Union in long-range missile development—on the basis of all reported evidence, after 12 months of hard labor and 16 test flights of the warhorse Atlas. The first Atlas, the record shows, was fired successfully on a 500-mi. flight precisely one year and two days prior to last week's satellite shot.

In the heady aftermath of success, first reports stressed the size of the giant U.S. satellite-something over 85 ft. long and 4½ tons in weight. Its very size and weight bring manned space flights and space laboratories a big step closer to reality. In a similar future launching the Air Force could, if it chose, put up an air-borne communications center, capable of relaving instantaneously a vast volume of cables, messages, and TV broadcasts to any place on earth. Satellite weather stations and reconnaissance satellites are now within the realm of possibility. Satellite mapping stations are not far off.

· Pinpointing-Militarily, what is more important is the apparent precision and adaptability of the giant missile. Unlike the Soviet Sputnik firings (which apparently were improvised and juryrigged, much in the manner of our Jupiter-C multistate rockets) the Atlas which the Air Force angled into orbit last week was a complete military weapon except for a somewhat lighter nose cone. Its orbit was pre-programed in its self-contained inertial guidance system and carried out exactly as When the bulky missile reached the precise altitude figured to best suit its experiments, it slipped over and angled into orbit. This contrasts with all previous U.S. satellite firings, in which a payload was blasted up as far as possible out of the earth's atmosphere, coasted into an upper trajectory after its fuel was exhausted, and then was given a kick into orbit with a final rocket firing.

• Few Modifications—There was little modification made in the conventional Atlas design for its unusual mission. Convair Div. of General Dynamics, builder of the big bird, adjusted things slightly to improve the fuel situation and changed the nose cone to save

on Earth

weight. But fundamentally, the rocket now barreling around the earth once every 101 minutes is the weapon on which the U.S. will be basing an important part of its military readiness some 12 months hence.

The electronic accuracy necessary to perform such a feat is tremendous. Industry experts who had been openly disappointed at the Atlas' 30-mi. error in its first full-range firing from Canaveral in late November, were jubilant at its latest success. "If this Atlas had been on a ballistic trajectory instead of an orbit," one Air Force expert says, "it would have dropped in within a mile of target. Considering the complexity and orneriness of the big liquid-fueled missile, that's shooting.

· Operational Date-Next big question in the development of the Atlas for military use is, of course, how soon it will be ready for operational use. The Defense Dept. has made no formal announcement, but one top-level official predicts that "before the end of 1959 the U.S. will be sited with troops ready to use the Atlas at a moment's no-' One year ago, there was only a faint glimmer that this could be done. although the Atlas ICBM was being pushed as a crash project, with everything the Pentagon could put behind

Six ICBM sites are now under construction-Francis E. Warren Air Force Base, near Cheyenne; Vandenberg Air Force Base, about 125 mi. north of Los Angeles, which will also function as a ballistic missile crew training base and as a launching installation for space experiments; Offutt Air Force Base, near Omaha; Fairchild Air Force Base, near Spokane; Forbes Air Force Base. near Topeka; and a base near Denver. The Warren and Vandenberg sites will be the first ones ready.

Hard bases needed to fire the Titanthe other U.S. liquid intercontinental ballistic missile, still to have its first successful short-range firing test at Cape Canaveral—are further off in the future: Tentative operational deadline for the Titan is still late 1960 or 1961.

· Delicacy-Long before that, sometime by late 1959, Convair (which now, according to unofficial reports, can turn out about half a dozen Atlases a month) should have its production lines run-ning smoothly. Making the Atlas, unlike some of its cousin rockets, isn't a simple affair. In spite of its enormous size, the mighty missile is so delicate that a child can dent its stainless steel sides with a good solid hammer blow. Its thin walls act not only as fuselage but also as fuel tanks. This means that at every point in assembly it has to

be propped up gently. Until it is fueled and erect in its launching pad, it is prone to accident. Delivered on the pad at Canaveral, it costs something over \$2-million, minus payload.

A strict comparison of the launching of the Soviet Sputnik III and the Atlas satellite is not totally fair. Thrust of the Atlas rocket, at sea level, is normally 359,000 lb.; its weight is 122 tons at take-off. This was sufficient to put a 41-ton object in orbit at a speed of 18,000 mph. The rocket that launched Sputnik III was originally estimated to have had a take-off weight of 200 tons, a thrust power of about 1-million lb. and a weight in orbit of 5½ tons.

But it was not a single tocket system. · Russian Progress-Much more significant is the fact that the ICBM rocket the Russians used as a first stage for their Sputnik firings, was available one year sooner than the U.S.' In the subsequent months it's logical to assume they have made progress in refining designs.

The U.S., on the other hand, has just placed the first contract (to North American) for a 1.5-million-lb. thrust tocket system for bigger game than low-orbiting earth satellites. Its objective: a single vehicle, with a reliability and accuracy comparable to the Atlas, capable of pushing manned vehicles into the outer reaches of space.

Prices to Stick Where They Are

Business is turning up—easing the pressure for cuts in prices. But consumers are in no mood to accept increases. Right now, too, a rise in steel prices looks unlikely until fall.

Don't look for any big fluctuations in prices next year. The forecast is for only minor-at most-increases during 1959. On the other hand, there are no great pressures for cuts. Barring a hike in steel prices-which now seems unlikely until later in the year-it looks now as though the new year will toe the

1958 price line.

Despite a general upturn in business since the third quarter, Hersey Riley, head of the Bureau of Labor Statistics consumer and wholesale price section, sees no reason to change his earlier opinion that (1) the wholesale price level may rise 1% to 2%, but (2) this won't be reflected in a rise in the consumer price index because of the "lag" that occurs between the two indexes.

Declining food prices will play a big role in keeping the consumer price index stable next year. Experts at the Bureau of Labor Statistics figure the grocery bill will be falling steadily for six months. In the fall of 1959, another downward shove will result as heavier marketings of beef occur. Meat prices will be under pressure, too, from large supplies of pork. There may be some upward pressure, however, as a result of smaller harvests next year. This year was a bounteous one after ideal weather conditions in the farm belt, and it isn't likely that such good weather will occur two years in a row.

The CPI will also be affected on the higher side by increased consumer service costs, offsetting the lower prices in the food sector.

Consumer Durables

One important part of the consumer picture is durables. CPI experts expect these prices to hold stable this vear. This jibes with what BUSINESS WEEK reporters found this week in talking to major appliance producers, who are winding up what can only be regarded as a sad year.

In Chicago, heartland of the appliance industry, manufacturers are backordered well into the first quarter; but few have put in price increases, and those that have did so cautiously. Broadline makers such as Whirlpool and Hotpoint are simply waiting, and probably will do nothing until they see how the first quarter shapes up.

Motorola boosted its hi-fi and TV prices a few points "to put a little profit in a sale." Phileo also raised its TV prices \$10 to \$20 and upped its combination washer-drier by \$20, but that's about all the company is antici-

pating right now.

· Paradox-Even those price increases are hard to understand in view of the depressed market demand. Television Digest reports that TV sales this year will amount to about 4.9-million sets, the smallest volume since 1949. It anticipates Christmas sales of 750,000 sets against 945,000 sets last season. in view of that, there isn't likely to be much pressure for higher prices in TV or other major appliance lines.

General Electric's Ralph Cordiner, anticipating a better consumer products year, nevertheless told a New York press conference that there may be some price increases from the very low levels of 1958, but that they'll be spotty at best. GE right now is only "hoping TV prices can be worked up in the

relatively near future."

Obviously, sales of consumer hardgoods will have to climb more than the 5% to 7% that the industry now predicts before any substantial increases can be introduced. Consumers were extremely price conscious all year, and the latest findings of the Survey Research Center at the University of Michigan reconfirmed that attitude (BW-Nov.8'58,p34).

II. The Steel Key

What does seem certain, now that business is turning up, is an easing of the extreme pressure for price cuts. So you can expect some market probing by producers of all types of goods.

Much of what happens to prices in general will depend on steel. In that case, you can expect no price boost either in base prices or in extras—until after midvear, when the new labor con-

tract is written.

Until then, there's no price boost in the works for steel products. Some steel buyers, however, told BUSINESS WEEK they wouldn't be surprised if some extras—depending on the size, chemistry, and quantities—are raised right after the first of the year.

· Industry Gossip-But Pittsburgh observers insist that (1) there isn't any of the usual buzzing you hear in the steel circuit when price action is imminent; (2) producers haven't vet felt the delayed boosts in their costs of goods and services which often follow a price increase such as the industry put through last summer; (3) a pickup in business, merely on strike anticipation and regardless of how the autoyear shapes up, will help cut unit costs from overhead; and (4) competition is herce, not only from foreign steel producers but from competing materials like aluminum-which is now under a seven-month price lid imposed by a price guarantee by Aluminum Co. of America (BW-Dec.13'58,p34).

Besides all this, U.S. Steel, price leader and policeman, averaged 8.3% on sales in the first three quarters of 1958, and can't help but do better in the fourth. Big Steel forced others to take the price lead last summer, and there is no reason for it to step out

front now.

III. Capital Goods

Any increase in the price of steel next year probably would be reflected immediately in the price of producer goods, but right now, there are no real signs that industrial goods manufacturers can push through any major increases.

True, machinery prices should be stabilizing after what one observer called "our own private depression." Some price increases in the Cleveland and Milwaukee areas have been posted, but price cutting still goes on in bidding for jobs. The machine tool industry, for

one, doesn't admit to undercover price cutting-but it has been going on.

However, the moment there is any real sign of better and growing business, you can expect an end to such "out of desperation" practices.

• Little Pressure—For other industrial equipment, including electrical apparatus, a firming of prices seems certain. Only a few weeks ago, the apparatus industry seemed on the verge of a price war (BW–Nov.29'58,p34). Now, say industry sources, prices have become stickier in the last four or five weeks. As one official says, "Most of the

industry has seen the light. They began to pay some attention to their financial statements."

Even so, no strong upsurge in demand for apparatus orders is likely. GE's Cordiner, for example, doesn't expect a new spurt of industrial orders for electrical equipment until 1960 and 1961, with only a slow buildup during 1959. Thus it is unlikely pressure for price increases will be noticeable for some time.

• Slow Increases—Other heavy equip-

Slow Increases—Other heavy equipment producers think goods prices will remain fairly weak through spring.
 As the market firms up—and it seems



"RETAIL" LAND OFFICES, such as this one in New York, are sparking sales of . . .

Florida Land Sales

For several years up to mid-1957, the buying and selling of Florida land brought back memories of the giddy 1920s. Before ink on a deed was dry, the land would be offered for resale at a higher price. Then, without warning, the buyers disappeared and owners were stuck with property. The boom fizzled.

Since September, land deals have started to perk again. At the "whole-sale" level, a notable number of large tracts have changed hands. And at the "retail" level, advertisements and booths have sprouted all over the North, offering lots for \$10 down, \$10 monthly.

• Recent Activity—No one keeps accurate records of Florida land sales, but these items suggest the picture:

 "I see a definite upward trend now," said Henry M. Jernigan, chairman of the Florida State Real Estate Commission. One Florida frim claims its brokers' offices in the North (picture) are doing four times the business this month as in September.

 New York State's Div. of Licenses, which polices over-counter and mail order offers of lots, has sensed an increase in volume lately. Recent "wholesate" deals have made news, including final or pending sales by Food Fair Stores Chini. Samuel Friedland (56,000 acres), Look magazine publisher Gardner Cowles (5,500 acres), Florida developers E. Raymond Moss and William S. Edgemon (3,640 acres).

Whether the current wave will regain the peaks of the mid-1920s or mid-1950s is doubtful. There are those with sizable interests in Florida land who still fear that the bubble might burst as it did in 1926, instead of gradually deflating, as happened 18 months ago. But they are encouraged by the "different" nature of this autumn's boomlet.

In the Twenties, Florida was a state with far fewer people, an anemic agriculture, and a highly seasonal resort business that catered to the rich. Many people were attracted by the prospect of making fast bucks by buying land on credit, reselling it at a profit before the first payment was due. They had no intention of developing the land.

This was great sport until buyers faded, land was mortgaged in tiers and subject to taxes exceeding value. Just to be doing so at only a slow rate now-increases will be made to stick.

Said a Milwaukee manufacturer: "Costs have increased in the past months—labor and steel particularly—and these increases haven't yet been covered by us because of stiff competition. Our prices should go up—and will just as soon as possible."

• Less Pressure—Fuel prices are stronger, too. Coal price hikes already have been announced by some Southern producers, for instance. Oil, which has been under strong downward price pressure all year, now is putting through fuel oil price increases and the whole industry enters the new year in a much stronger demand-supply situation.

Nonferrous metals have enjoyed a fair demand—with the exception of aluminum with its pricing problem.

aluminum with its pricing problem.

Zinc and lead have acted firmer since import quotas were imposed.

Copper has shaken down from its enthusiasm, created by strikes in Rhodesia, but industry people aren't talking about 40¢ copper (it's about 29¢ per lb. now) until a year from now, which is a marked retreat from earlier predictions.

knowhow for quicker development-and a quicker return.

• The Buyers—More prominent than before are two types of buyers: the moneyed Northern businessman socking away cash in multiples of \$1-million, and the real estate developer who buys large tracts for immediate development into lots or into houses.

The line between "investment" and "speculation" is not easy to draw. It is easy to distinguish between a man who is buying land to develop it and one who does not plan to develop. But among the latter, you can't always tell "investors" from "speculators."

• "Investors" vs. "Speculator"—Probably a fair assessment would be that an "investor" is a man who, just like a "speculator," intends to benefit from the gain in a tract's value—but buys higher-priced, more carefully selected land, and will sit with it longer.

During the earlier speculative wave, both speculators and smaller-caliber "investors" went on a spree. They didn't care where land was, just so if was in Florida.

This autumn's "investor" is more prudent. Generally the buyers have been getting—and heeding—professional advice. They have not bought price alone. They have taken care to see how close a property was to an established residential or industrial development, recognizing that this is more important than any other criteria.

• Developers' Methods—The developers, on the other hand, have bought large tracts from which to sell lots to—or build homes for—retired persons, young workers, the wealthy. Because they are catering to a national market, the developers of retirement communities have gone in heavily for national advertising. In New York State, according to the Div. of Licenses, developers of one-third of the subdivisions being offered for sale also have resorted to opening offices and booths where they use their own sales people or licensed brokers.

Whatever method they use-advertising or offices-the developers are finding their \$10 down, \$10 a month plan a sure-fire stimulant for selling lots priced at \$700 or more. For those ready to build, developers are providing houses within reach of pensioners, \$6,000 to \$10,000.

Frank Mackle, Jr., president of General Development Corp., said he uses brokers to save cash. To do so may cost General more in the long run, but brokers' commissions come out of monthly payments while ads have to be paid for in cash. General can use the saved money better, Mackle said, by putting it into its seven projects, the largest of which is Port Charlotte.

 Incorporation Trend—As the largest developer and one of the nation's



SMALL LOTS in Florida offered on easy terms by developers that own huge tracts.

Start to Spurt Again

as many began to go bankrupt, two hurricanes dealt the final blow.

• Firmer Foundation—The boom of the 1950s probably was just as speculative—with buyers gobbling up land for immediate resale rather than for use. But it was built on a firmer foundation. Florida's population has been growing remarkably—both in retired persons and in younger workers. It gained a manufacturing base of some significance, its farming was diversified and strengthened, and its tourist business stretched year-round, luring lower income groups.

By summer, 1957, the population growth—while still large—had slowed down. Immigration had fallen to 170,000 from the 1956 peak of 222,000. And industrial expansion dropped in Florida as elsewhere.

• Leveling Off—Despite this softening in the state's economic picture, the bottom did not fall out of property. But the softening did blow the speculators out of the tub.

In selling to each other, speculators had kited land prices. A piece of property in North Florida that first sold for \$75 an acre, passed through three more hands and brought \$300. Said the

original owner: "It wasn't worth \$75."
• Important Difference—As the national economy rebounded this autumn, the Florida real estate business picked up, too. The speculative fever has not died down altogether, but most persons close to the situation are convinced that the current activity is more desirable because it is "different":

 There is more buying of land for immediate development or for longterm investment.

 If purchases are not sold entirely in eash, there is less doubt about the buyer's ability to make payments.

• With respect to fraudulent claims by lot-sellers, the Real Estate Commission's Jernigan says: "We haven't eliminated all the phonies, but at least a good portion of them." Regulation by the commission and by agencies in states where lots are offered has driven a number of them out of business or compelled them to change their ways. Others have been priced out.

• A growing number of large property owners are putting their land into the hands of corporations—such as Look's Cowles, Food Fair's Friedland—in return for seats on the board, tax advantages, better lines of credit and

largest homebuilders (BW-Aug.2'58, p38), General also typifies the trend toward incorporation.

Frank Mackle and his two brothers, established builders in Florida, wanted a ready market for their stock.

They also wanted to be able to get and keep—good men by being able to offer stock options and other incentives. They joined forces with an old corporation, active in several fields, that was listed on the American Stock Exchange, and changed its name to General.

Not long ago, Look's Cowles went in with General. In return for his land near Fort Pierce, he got 156,633 shares and a directorship. Individuals such as he have been finding it more attractive to do this, taking advantage of the corporate income tax rate and ability to line up even better lines of credit than they could simply as reputable individuals. Cowles said he and his associates had put \$2-million into the Fort Pierce land. "After two years," Cowles said, "we found that developing real estate was a specialized business-like the magazine business. It made good sense to sell to General Development."

Food Fair's Friedland would acquire a minority interest in Lefcourt Realty Corp. and become board chairman in return for his 56,000 acres in Palm Beach County. Control of Lefcourt, an old Manhattan outfit, went last spring from New York interests to a Miami real estate operator, J. A. Cantor. Now a deal is in the works whereby Cantor would sell control to Desser & Garfield, Inc., a West Coast development firm.

to get land into production.

Moss and Edgemon, the Dade County developers, made a deal with a Buffalo manufacturing concern with an American Stock Exchange listing, Silver Creek Precision Co., whereby they swap 3,640 acres north of Orlando for stocks and two seats.

• Ps chological Buying—A new corporation, Arvida Corp., was formed in July by Arthur Vining Davis, a remarkable land buyer, and Milton N. Weir, realtor, builder, and banker in Florida. Since 1947, Davis had bought 100,650 acres in Dade, Broward, and Palm Beach counties—a feat that encouraged others to follow on a much smaller scale.

By turning his acreage over to Arvida for 57.4% of its shares, Davis put the Florida real estate community at ease. As Davis passed his 91st birthday, the prospect of an estate having to sell the land for taxes had an unsettling

Since land values in Florida are "90% psychology," as one veteran landholder put it, Davis' transactions had a considerable influence on the market. When he was buying, others bought. When he began to sell a year or so ago, to raise cash for mortgage payments and working capital, others sold. Even though much of his land is considered to be years from development-not all his purchases were regarded as shrewdthe very fact that he was buying tended to stiffen prices nearby. People raised prices in hopes Davis would need their parcels to round out his plans or on the assumption he "knew something."

New York Misses Its Newspapers

As the strike of the Newspaper & Mail Deliverers Union against nine New York newspapers continued into its third week, the strikers faced increasing disadvantages. The Publishers Assn., having already lost the Christmas advertising business and now in their lean season anyway, were in no hurry to make concessions. Meanwhile, the deliverers' union was slapped down by other newspaper unions when it appealed for financial help.

Members of the other unions, mostly laid off two weeks before Christmas, expressed little sympathy for the deliverers and their rejection of the publishers' original \$7 package. And the general public was downright irritated by the newspaper famine.

• Strike Backlash—The newspapers themselves are estimated to have lost \$5-million a day in revenues during the pre-Christmas season. Stores said mail and phone orders dropped 15% or more, although they hastened to buy radio-TV time, to step up direct mail, and to distribute handbills. Employment agencies, unable to advertise jobs.

report placements off 37% to 75%. Some movies postponed their New York premieres until after the news strike.

More than 10,000 of New York's 16,000 newsstands were shut down. Those that remained open, chiefly in rail and bus terminals and the main business districts, did a land-office business in magazines and in out-of-town newspapers. People on their way to and from work queued up to buy papers from Paterson, Passaic, Newark, and Philadelphia. More than 10,000 extra Philadelphia papers were sold each day. Dealers sold a week's supply of popular magazines in a few hours.

Publishers and the union both said they were standing pat, but they were meeting again after a week when negotiations had been broken off. The end could come at any time, but the losses can't be made up. One rumor, denied by Hearst spokesmen, suggested that now the Hearst-owned Mirror (circulation 871,700) and Journal-American (circulation 571,000) would have to be merged.



CREW OF THREE flies a DC-7 coast-to-coast in eight hours with 80 passengers . . .

... JET AIRLINER will make trip in 4½ hours with 112. Hot question is ...

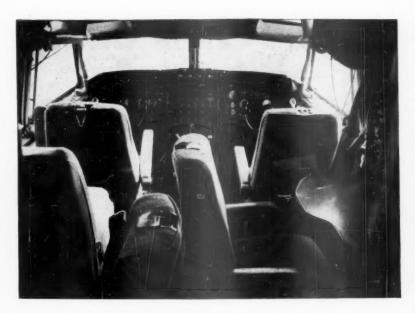
How Many

Who will sit in the cockpit of jet airliners? That question, in one way or another, had more than a third of the nation's normal air travel at a standstill this week. With the month-old strike of flight engineers against Eastern Air Lines still unresolved, pilots started a new walkout against American Airlines.

It all has the look of a battle motivated by fear of technological unemployment—this time, resulting from the high-capacity jet transports just going into service. Jets can earry more passengers farther and faster than their piston-powered predecessors—and with fewer planes. The unions fear this will mean fewer pilots and fewer engineers as well. Management retorts that in the end expansion of service will create a need for more, not fewer, workers.

Entangled with the worries over jobs is a boiling jurisdictional dispute between the two unions involved—the Air Line Pilots Assn. and the Flight Engineers International Assn. The Civil Aeronautics Board requires that any four-engined airliner carry a flight engineer in addition to two pilots, in the interests of safety. In the case of the jets, the hassle is basically over whether this third man should be qualified as both a pilot and an engineer. And to which union should he Lelong?

• First Stirrings—The third-man theme was first heard in a 1955 strike of the engineers against United Air Lines. The issue might have been settled long since if not for the long drawn out procedures of the Railway Labor Act (BW—Dec.13'58,p90), which applies



Men Will Fly the Jets?

to the airlines and moves at something less than jet speed.

In the United dispute, the company insisted that all flight engineers hired in the future should also be qualified pilots-and the company won, after a month-long walkout during which United's pilots ignored the engineers' pickets and kept its planes flying. United's most recent contract with the engineers, signed Dec. 6, provides that a flight engineer must hold a commercial pilot's license with instrument rating in order to qualify for transition training for jets. The men continue as members of the engineers' union, but this doesn't mollify the union. Largely because of its opposition, the UAL isn't setting a pattern for the industry.

• American's Compromise—The pattern, at least for the time being, is much more likely to come from a compromise agreement reportedly reached by American and the pilots.

The odd thing at American is that the third man is not at issue in the current strike. The pilots walked out to enforce their demands for a reduction in their flying time from 85 hours to 75 and for a wage increase. At midweek, it looked as if these differences might be quickly ironed out through federal mediation efforts. The ALPA, reportedly, has already agreed with the company to solve the third-man probiem by adding a fourth member to the cockpit crew-which would then include a flight engineer and three pilots. No one will admit it, but it seems likely that the four major airlines with an interest in jets-American, Eastern, Pan American, and Trans World-will all fix on the fourth man as the interim solution. Eventually, everyone hopes, a final ruling will come from the new Federal Aviation Agency, which takes over from CAB Jan. 1. But with American's jets scheduled to begin transcontinental flights in mid-January, the carriers can't afford to wait for the agency to investigate and then to act.

• Eastern's Stalemate—Of course, the fourth-man compromise can't be applied to the rest of the industry until American's strike is settled and the agreement becomes official. That intensifies the stalemate at Eastern, where the third man is directly at issue.

But it's an issue the union cannot, by court order, bring up in those negotiations. A federal court has ruled that qualifications of flight engineers are management's business, not the union's. As a result, the union has to wait for the company to introduce the topic, and the company reportedly isn't going to do so at least until it reaches final settlement of another strike that began at the same time as the engineers'-by the Machinists. The Machinists and the company have agreed, but the union has vet to ratify the pact. Eastern is afraid the Machinists might fail to do so if it starts talking about qualifications with the engineers first.

• Opposing Arguments—In the jurisdictional tiff, these are the arguments:

The pilots contend that a jet needs a third pilot aboard, primarily because of "operational factors." Things happen so fast, says a spokesman for the union, that problems of air traffic control, navigation, and communication are increased, and for safety's sake, three

pilots are a must. The pilots' group cites a finding by a Presidential Emergency Board, which last summer recommended that the third man in Eastern's jet cockpits should carry pilot qualifications.

The engineers point out that the CAB subsequently interpreted the Emergency Board's finding as applying mainly to the immediate labor dispute then at issue. At the same time, CAB reaffirmed its original ruling that the crew of four-engined planes should include a flight engineer. Jack Robertson, regional president of the engineers' union, claims that American found, in a study of "training and familiarization" flights with the Boeing 707 jet, that the flight engineer is the busiest man aboard. He dismisses American's reported fourth-man compromise, adding a third pilot, as "a temporary expedient and not a solution" that amounts to "putting in a featherbed-and then it would be the job of someone to decide who the featherbed is, the third pilot or the engineer. The flight captain would say it's the engineer." If other airlines adopt the same approach, he charges, "it will merely be a payoff to the pilots' power."

• Shrouded Study—There's no substantiation so far from other quarters for Robertson's claims as to what the American study proved. The airline itself will do no more than concede that such a study has been made; an official of the pilots' union contends the study convinced American a third pilot is necessary for safety—and thus the fourth-

man compromise.

However, American may have been considering another factor still in agreeing to add a third pilot and retain the flight engineer. About a year ago, it signed a five-year contract with the engineers. It's committed to upholding this pact, and the fourth-man solution should make the pilots happy without disturbing the company's relationship with the engineers.

• Hot Tempers—Within the two unions, tempers are becoming so fraved that the fourth-man compromise might not be such a happy solution, after all.

Actually, AFL-CIO itself has suggested that the two unions merge, but the engineers have refused—on the ground that the pilots simply want to gobble their jobs. Three years ago, AFL-CIO suspended the pilots temporarily as punishment for their failure to cooperate with the engineers in the strike against United.

Currently, the engineers are on the agenda for the AFL-CIO Executive Council meeting in February. To finance the present dispute, the union has borrowed \$200,000 from a Washington Bank, with collateral in the form of \$200,000 in negotiable bonds from the Teamsters.

Giddy Pace Brings China Crisis

Reds' worst internal crisis in a decade results from headlong economic plunges, especially in setting up huge work "communes."

Mao's stepdown as chief of state and slowing of commune program mean a tactical retreat on home front.

Yet Mao as party chairman is still firmly in saddle, and odds are Reds will come out stronger than ever.

Red China is going through perhaps the worst internal crisis since the Communists, led by Mao Tse-tung, took power a decade ago. Behind the crisis is Peking's headlong plunge into economic development, intensified recently by the wholesale creation across the country of work "communes" (BW-

Sep.20'58,p38).

That's how Washington interprets things now that it has had time to study last week's announcement that Mao pext month will resign his ceremonial job as Chairman of the "People's Republic." His reason for doing this-if both Washington and Far East observers are right-is to devote full time to putting across an economic program aimed at taking China's 650-million people through a "great leap forward."

Mao is as strong as ever, according to all reports. Continuing as the allpowerful Chairman of the Communist Party, he will still call the shots.

There's absolutely no sign of a power struggle in Peking similar to the one in Moscow during the 1930s. Washington regards the Red Chinese regime as a solidly entrenched government, with

Mao at the controls.

Still, there are signs in the present shift in Mao's position that Peking may be softening its tough line toward the U.S., as one of a group of reforms. That would be a slight reversal of its warlike attitude this fall toward Washington's support of Nationalist Chinese claims to the offshore islands of Quemov and Matsu.

I. Tactical Retreat

The West got some inkling of Red China's crisis in the decisions made at an emergency session of the Central Committee of the Chinese Communist Party. These decisions, announced last week, add up domestically to a tactical retreat on both the economic and political front. And they clearly reveal the growing rivalry between Mao and Soviet Premier Khrushchev for ideological leadership of the Communist bloc

The Central Committee decided to:

· Slow down the vast program, started last April, of forcing China's masses into economically self-sufficient communes to be run along military

· Tone down Peking's boasts about the importance of the commune "system" to the Communist world.

· Backing Away-Originally, Peking had planned to create communes in rural areas by merging the 750,000 cooperative farms into 100,000 larger units. It also hinted at establishing communes in the cities.

The new decisions postpone the urban communes indefinitely. They also call for more humane treatment of those already organized in rural communeswhich take in over 90% of China's peasant population, according to Peking's claims. Some ownership of private property and some degree of family life also will be permitted-at least for a while. And Peking has defined more clearly the maximum hours of work and

At the same time, Peking is backing away from its claims that the communes represent a new shortcut to Communism. Khrushchev reportedly told Sen. Hubert Humphrey (D-Minn.) during their recent talk in Moscow that the communes are a "reactionary" concept that ignores the need for work incentives. Khrushchev implied that the program would not succeed. So now Peking is conceding that its "socialism through communes" is still a long way from achievement.

· Speaking More Softly-On top of that, Peking for the moment is not tossing out threats of driving the "U.S. imperialists" and Chiang Kai-shek from Formosa by force. The Red Chinese now appear to be pinning their hopes on gradual defection of the Nationalist Chinese from Chiang's control-and on the takeover of Formosa sometime much further in the future. And Peking is even talking about peaceful "coexistence" between the capitalist and social-

For all that, the odds are heavily in

favor of Mao and his regime riding out present difficulties and emerging stronger than ever.

II. But Still on Top

Mao's prestige is overwhelming. There are no effective rivals waiting in the wings, as far as anyone in the West has been able to see. Mao's readiness to step down as government Chairman is in itself a sign of his confidence, Washington thinks.

· No Abandonment-It's clear, too, that there is no thought of abandoning the commune system. In addition to the powerful political leverage which it gives the leadership, the system has potential economic advantages.

It makes it easier, for one thing, to hold down the standard of living of the peasants and free resources for investment. By encouraging some production of consumer goods by the communes, the program can mean net additions to production, while at the same time reducing the size of the central government's task in supplying consumers.

The program also makes larger pools of workers available for the vast capital projects-railroad construction and new steel plants-that Peking is carrying out. And it may even encourage some grassroots initiative-a perennial problem in a monolithic Communist state.

Mao can well afford to make some short-term concessions at home, and some bows in the direction of Moscow -and possibly toward the West-before launching a new speedup in forced economic development.

• Forced Pace-Whatever problems Mao has probably arise from the fact that the commune system has been im-

posed so rapidly.

China has made dramatic economic progress under the forced pace imposed by the Reds. In the past five years, power and petroleum output have tripled, coal and cement production have doubled, and steel output has quadrupled. This year the Chinese claim to have turned out over 10-million tons of steel-nearly double last year's figure-though most Western observers doubt this (BW-Dec.13'58,p107)

These advances leave China still lagging far behind most of the rest of the world. Its per capita production of most types of basic industrial raw materials is behind that of Formosa. Yet Peking's plans call for doubling production of power, coal, cement, and steel by the early 1960s.

It seems inevitable that with more and more force needed to maintain this strenuous pace, new crises are bound to





WINNER Navy's choice of all-weather fighter went to McDonnell's F4H twin-jet.



LOSER Contract was canceled for Chance Vought's single-jet F8U-3 Crusader.

One Had to Lose Out

Competition for military contracts, now that Congress has frowned on parallel development of weapons systems, has reached the point where companies and their communities tremble at a major decision. Last week was an example: The Navy made two choices that elated St. Louis but left the Dallas area in an un-Texan despond.

The Navy's grim Christmas package for Dallas included:

· Cancellation of the balance of a \$100-million contract with Chance Vought Aircraft, Inc., to develop the F8U-3 Crusader as Navy's all-weather fighter plane. Chance Vought had delivered three of an order for 18 planes.

· Cancellation of a \$78-million contract, also with Chance Vought, for the Regulus II supersonic airbreathing guided missile. By this move, the Navy expects to free \$100-million

in earmarked funds for development of ballistic missiles, chiefly the Polaris.

· Indirectly, layoff notices to 2500

Chance Vought workers.

St. Louis was made correspondingly happy by the Navy's choice of the McDonnell Aircraft Corp.'s F4H as the standard all-weather fighter, expanding a \$189-million development contract to a much larger but still undisclosed figure.

As frosting on its cake, McDonnell this week also got a new \$1361-million contract from the Air Force for its

F-101B Voodoo.

· Key Employers-Both companies in the Navy competition are the employment leaders in their respective cities. Chance Vought, with 16,000 workers before the layoffs, is the biggest employer in Dallas County and is topped only by Convair among em-

ployers in North Texas. McDonnell, with a payroll of 26,000, is the biggest employer in all of Missouri.

Chance Vought's lavoffs won't immediately be balanced by expansion at McDonnell, officials of the St. Louis company say. In fact, McDonnell itself may be reducing its own payroll for a few months as it completes older contracts for its Air Force F-101 Voodoo. It will take time to start on the new Air Force order and to get the F4H up to full-scale production.

"Failure to win this competition," says Pres. J. S. McDonnell, "would have necessitated the immediate lavoff of over 6,000 of our personnel. Now we anticipate that by the end of 1960, the equivalent of more than 10,000 of our people will be assigned to the F4H

project.

The economic impact in the St. Louis area is even greater than this indicates, McDonnell points out, since the company has 400 suppliers and sub-

contractors there. · Blow to Dallas-When the Navy announced its verdict in favor of the McDonnell fighter plane, Chance Vought worked fast to cut its work force. To avoid paying a minimum four hours of call-in time, it put personnel people on the phone all night to notify workers not to come in.

The Crusader cancellation accounted for 1,400 immediate layoffs on Thursday of last week. The Regulus cut-off on Friday lopped 100 from the payroll on that day, with another 1,000 on Monday. A few hundred more are expected to be laid off.

The latest, mid-November report of the Texas Employment Commission shows Dallas County with 354,000 employed and 13,250 unemployed-3.6% of the labor force. About 60% of Chance Vought workers live in

Dallas County.

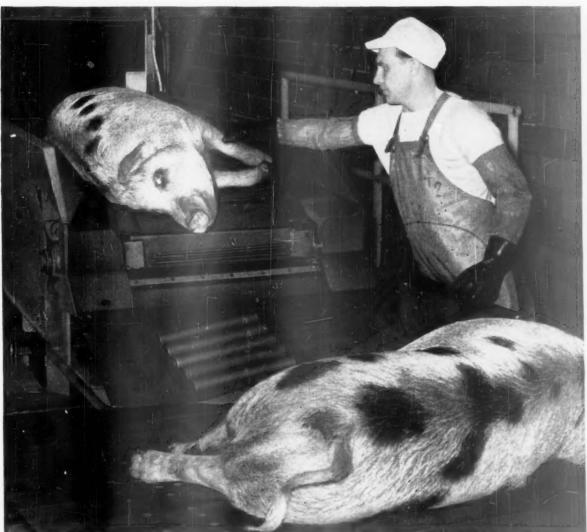
Temco Aircraft Corp., Chance Vought's Dallas neighbor in a former North American Aviation plant, may benefit from McDonnell's good fortune, since it makes subassemblies for the St. Louis company. But Temco still hasn't recalled all its own workers, laid off last spring when B-52 work was cut.

· Close Decision-The Navy chose its fighter plane after what Rear Adm. Robert E. Dixon, chief of the Bureau of Aeronautics, called "the closest competition in modern aircraft history.' Both planes performed "exceptionally well" in flight tests since June, he said.

According to Pentagon sources, the choice boils down to a twin-jet, twoman plane over a single-jet, one-man design. The F4H carries a radar operator in addition to the pilot.

"There's just too much for the pilot to do in the Chance Vought plane,'

a Navy officer explains.



A "sleeping beauty" rides out of the immobilizing tunnel at the Fremont, Nebraska, plant of Geo. A. Hormel Co.

New "sleep tunnel" allows painless slaughter of meat animals

The slaughter of struggling, squealing hogs, shackled and hanging by a hind leg from a conveyor chain, has been called "the most violent unit operation in food manufacturing."

Now it is different, and you will be glad to know there is a new, humane method. At a number of modern packing plants, the hogs are led onto a conveyor belt that carries them through a tunnel containing an odorless, nontoxic mixture of air and carbon dioxide gas (CO₂). In less than half a minute, each hog peacefully drops to sleep and rides out completely unconscious. One tunnel will immobilize up to 600 hogs an hour.

The system has advantages for the packer as well as the hog. It speeds

production and allows smooth, non-bruising handling methods that improve meat quality.

The "Anco-Hormel Immobilizer" was developed and first used in Geo. A. Hormel & Co. plants. It is manufactured and sold by Allbright-Nell Co., Chicago. Tests show promise that the process might be used for cattle and sheep.

The CO₂ concentration in the tunnel is controlled by a rugged *Ranarex* analyzing-controlling system made by the Ranarex Instrument Department of The Permutit Company.

In other fields, Ranarex gas analysis instruments are used to cut fuel costs by analyzing flue gas, to prevent furnace explosions and improve product

quality in heat-treating metals and to help guide complex reactions in petroleum and chemical processing. For a Bulletin describing the full line of gas analysis instruments, write to Ranarex Instrument Dept., The Permutit Company, 50 West 44th Street, New York 36, New York, or Permutit Company of Canada, Ltd., Toronto 1, Ontario.

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In Business

Comptroller General Backs Down On Ban on REA Loans to Co-ops

Comptroller General Joseph Campbell has backed down completely from his controversial ruling last summer that the Rural Electrification Administration could not legally grant loans to co-ops to build new power lines in competition with existing companies.

Campbell's ruling had criticized the \$120,000 portion of an REA loan to Central Iowa Power Cooperative that was used to finance a new line to Lehigh Sewer Pipe & Tile Co.—only 160 ft. from an existing line of Iowa-Illinois Electric Co. (BW—Aug.11'58,p35).

In a new letter to Agriculture Secy. Benson, Campbell wrote: "We [General Accounting Office] will not attempt to recover any future similar loans nor take other action concerning the present Administration practice in the absence of an expression of Congressional intent to the contrary."

Pickands Mather Takes First Steps For Rail Link to Wabush Iron Ore

The first major move to develop the iron ore deposits in the Wabush Lake area of Labrador came this week when Pickands Mather & Co. announced it was letting the first contracts for construction of a railroad to the deposits.

Pickands Mather, a Cleveland iron mining and management company, manages Wabush Lake Ry., a subsidiary of Wabush Iron Co. Stockholders of Wabush Iron include Pickands Mather, Youngstown Sheet & Tube, Steel Co. of Canada, Interlake Iron, and Canadian Javelin.

The new railroad is expected to hitch up with the Quebec, North Shore & Labrador Ry., which now ties into deposits held by the Iron Ore Co, of Canada.

Humboldt Mining Co.—owned jointly by Cleveland-Cliffs Iron Co. and Ford Motor Co.—plans to double its capacity for mining and concentrating iron ore—in Michigan's Upper Peninsula.

Rock Island Cuts Round-Trip Fares In Move to Build Passenger Volume

Western railroads continue to tolerate, if not welcome, passengers. So far, they have shunned the Eastern roads' seeming tactics of pricing passenger service out of existence, but this week they are complaining that the Rock Island is going too far in the opposite direction.

Last week the Rock Island told other Chicago-based roads that, as a nine-month experiment, it was going to cut first-class round-trip fares by 22% (while coach fares

went up 5%). Studies showed the Rock Island that, between major cities, twice as many one-way fares were being sold as round trips. This indicates that many long-haul passengers go one way by train, the other way by alternate methods—which means plane.

If the Rock Island can catch even one out of four of these travelers for the return trip, it says it will make up

the revenue loss imposed by the fare cut.

The Burlington's general passenger traffic manager, J. J. Alms, seemed to express the feeling of most Rock Island competitors when he said: "I feel such a reduction would be disastrous to us. We would lose \$1-million a year in revenue if we didn't increase volume by 25%—and I don't know where that many more passengers would come from." Yet the Burlington proceeded to cut its Chicago-Omaha-Denver fares to meet the Rock Island. The Missouri-Kansas-Texas also made the cut.

Industry's Count of Wood Prefab Houses Tops Government's—Definition Does It

There's a 40% difference between the number of wood prefabricated houses reported by the Commerce Dept. and the number claimed by the industry and its trade association, the Home Manufacturers Institute. But the difference is all a matter of definition.

The Building Materials Div. of the Commerce Dept., basing itself on the sworn statements of all known manufacturers, reported 57,800 units last year, and estimates 61,000 for 1958. That's way under HMI's 93,000 for 1957, and a 1958 estimate of 110,000.

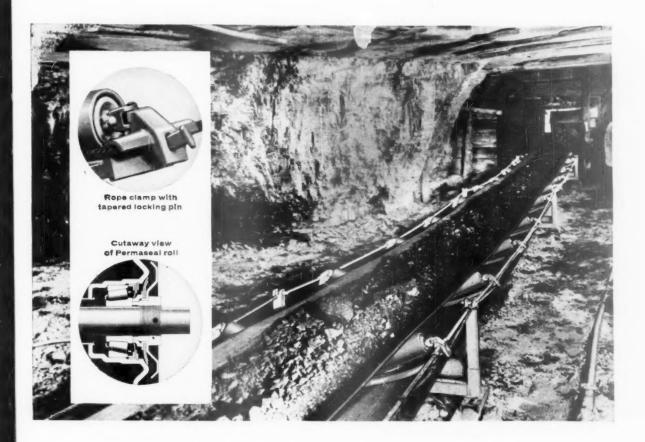
Here's how the differential arises: Commerce limits its count to wood prefabs for which the entire house shell, including roof and partitions, is produced in a permanent factory. HMI has a more liberal definition, even including a few metal prefabs.

Business Briefs

Eight companies have entered bids for the AEC contract to do the research, development, and design work on a fast breeder reactor using a plutonium-uranium oxide fuel cycle. Bids were received from: Atomic Power Development Associates, Atomics International, Aerojet-General, Curtiss-Wright, General Electric, Nuclear Development Corp. of America, Nuclear Materials & Equipment Corp., and ACF Industries.

To avoid distortions arising from inflation, the Commerce Dept. plans to issue a "deflated" figure for gross national product every quarter, instead of once a year. GNP figures issued this week show how the distortion works. Undeflated fourth-quarter figures this week indicated a record rate of around \$453-billion. But Commerce says that adjustment for price increases would bring GNP to a more modest \$446-billion.

Early next year, the Weather Bureau will bring special forecasts for jet flights operating at 20,000 ft. to 45,000 ft. The bureau also plans a facsimile circuit for "prognostic wind flow charts" specially prepared for high altitude pilots.



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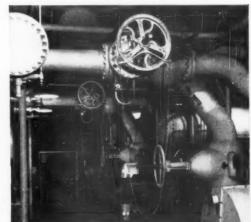
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With efficiency a part of the over-all design it is not surprising to see Jenkins Valves on the plumbing, heating and air conditioning pipelines in this superb building. For almost a century the name JENKINS has meant reliability ... valves with the enduring quality to last the life of a building. It will pay you to have this important assurance when you specify or install valves, especially since Jenkins Valves cost no more. Jenkins Bros., 100 Park Ave., N.Y.17. Architects: SKIDMORE, OWINGS & MERRILL, NEW YORK General Contractor: BRYANT & DETWILER



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WASHINGTON OUTLOOK

WASHINGTON BUREAU DEC. 27, 1958



Pres. Eisenhower's Administration is badly split on policy, with the new Congress taking over Jan. 7—only 11 days away.

The tipoff is the President's budget goal. Eisenhower now insists he can hold spending for fiscal 1960, the year starting next July 1, to about \$77-billion, and hopes that revenues will match this figure. This calls for a sizable cut from the current spending level and a big rise in tax receipts (page 15).

Here are the political implications to have in mind:

The Eisenhower "right wing" is calling the tune. Such men as Treasury Secy. Anderson, Agriculture Secy. Benson, and new Secy. of Commerce Strauss, have the President's ear.

Vice-Pres. Nixon is in the outfield. He and the President recently have spent more time together than in the past, but they appear farther apart on objectives. Nixon, backed by such Cabinet men as Atty. Gen. Rogers, Secy. of Labor Mitchell, and Secy. of Interior Seaton, wants to show up on the liberal side. But Eisenhower's budget stand will make this difficult.

The Democrats also are being put on the spot. Both Eisenhower and Nixon have called them financially irresponsible. With a conservative budget, the Democrats will have to maneuver very skillfully to put over their spending ideas and still escape blame for another big deficit.

Another point to have in mind, as you weigh the budget goal:

The Treasury faces some difficult financing. Big government deficits always raise the question of inflation. The Treasury would like to get a small part of its financing out in long-term bonds. This is always difficult when deficits are big. The advance knowledge that Eisenhower will send up a balanced budget in the middle of January might well help the Treasury float an issue before that time on terms more favorable than they are today.

Now look at the new Congress in terms of what will be done: The overwhelming Democratic victory in November convinces a lot of Democrats that the voters want and demand a bigger federal role in providing welfare and services, rather than less. That means Democrats will try defiantly to increase housing aid, urban renewal, slum clearance, relief to depressed areas, and federal aid to schools.

There will be a revival of the fight over school construction. Democrats will give a big push to the multibillion-dollar program that has been kicking around for years. Eisenhower can't ask for much because of his budget ceiling; Democrats will go ahead despite a veto threat.

This is an example of the conflicts ahead. You will have many instances where the two sides are merely taking political stands for the big White House struggle in 1960.

A teacher pay subsidy seems as remote as it did last year. The Democrats will whoop it up. Eisenhower will oppose it on the grounds that education, basically, is a local problem. Odds are that one or perhaps both Houses of Congress will vote it, then let it lie after a veto by Eisenhower. It's the sort of thing that makes a good political issue.

WASHINGTON OUTLOOK (Continued)

WASHINGTON BUREAU DEC. 27, 1958 Farm aid will be another issue. House and Senate Democrats will find it easy to prove that Benson's policies haven't saved the taxpayers a nickel. As a matter of fact, the costs have been on the rise. With corn and wheat and cotton farmers planting more in 1959, the cost probably will go even higher.

Example: One Maryland farmer who received \$1,000 from the corn soil bank now will receive more than three times that amount from the soil conservation program.

Labor's wish for federal unemployment pay will be fought. Democrats put through a temporary loan to states last year. Eisenhower will oppose continuation of the loan, cancellation of a payback by the states, or any attempt at federal payments.

New power dam projects are put in jeopardy. The Democrats made spectacular gains in the West and Northwest, and the newcomers feel they need some new projects to satisfy their constituents. But Eisenhower's hold-down will make the going tough—if not insurmountable.

The housing fight will be hot. Eisenhower Republicans stopped a major piece of legislation in the closing days of last session. Top Democrats want the program still—for public housing, urban renewal, slum clearance, college dormitories, a big line of credit to Fannie Mae for mortgage purchases. Eisenhower's aim is to blunt, if not stop, the move.

Democrats see a 1960 issue in Eisenhower's stand. He has drawn the line, and they are declaring they will overstep it.

Specifically, Majority Leader Johnson intends to force the issue, by putting the Number One designation on a measure calling for federal money. He is planning to have a bill, Number S-1 (the first bill presented in the Senate) that will provide for increased federal spending for airports. That is the proposal Eisenhower vetoed last summer, a measure increasing federal outlays from the current \$65-billion to \$100-billion a year.

How will things work out in Congress? There will be a drift toward the left. You stack Eisenhower's plans on the conservative side, and the new Democratic majorities, in general, on the other. Eisenhower has drifted farther to the right during the last four years, while GOP liberals, flexing their muscles in an organization fight in Congress, will put their weight closer to the Democratic left.

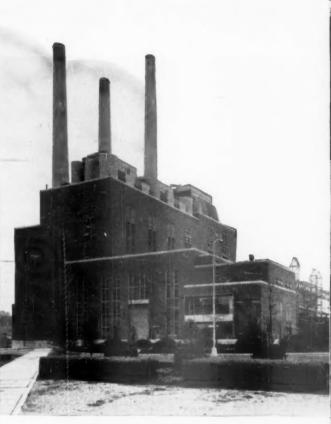
Eisenhower is bucking the trend. He may slow it. But why is he doing it? Possible answer: His first victory in 1952 was on a platform of reducing federal government, its costs and its activities. He is trying to make the same theme his valedictory.

The Democrats are put on the defensive—for now, anyway. They can proclaim that the President's budget is not a true one (that argument is loud in Washington), but they still will have to explain why they are voting more than the President wants.

Healthy national growth will be the Democratic slogan. They say the economic recovery is too sluggish, that more needs to be done.

So, here's their challenge, as pictured by their top leaders: Eisenhower's \$77-billion budget won't meet the nation's growth needs. This means they will try to push Congress to a new spending record.

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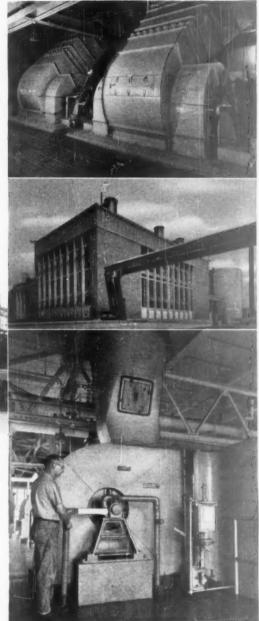


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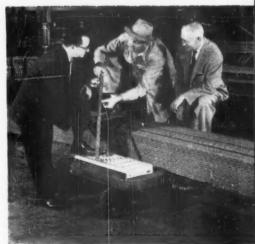


STEEL_PLUS IN ACTION: FACILITIES

You're looking at the largest lock-coil cable in the world. It was specially designed and built by U.S.Steel's American Steel & Wire Division for the main tramway used in construction of the Glen Canyon Dam in Arizona. Construction crews have nicknamed it "the main gut," because it will carry the concrete and steel that are placed in the dam. The cable is four inches in diameter, has 312 individual steel wires and weighs 38 lbs. per foot. It took complete manufacturing facilities and know-how to produce this unique construction link.

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Sales of major appliances were never very high during the Christmas selling season-until 1954 when U.S. Steel launched the first annual Snowflake promotion. Since then, Christmas-time appliance sales activity has climbed steadily as a result of this newspaper, magazine, radio, and TV campaign to promote major appliances as Christmas gifts. Hundreds of retailers and manufacturers have used the Snowflake campaign as a master plan. They built their own promotion program around it, using sales kits and aids provided free by U.S.Steel.

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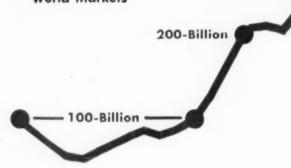


Breaking Into a \$500-Billion

▶ The U.S. is growing again. The In-Between years are ending—with a sigh of relief

Sheer size makes this economy a new thing, offering new goals and opportunities, posing new problems

➤ The next decade will see a hunt for new solutions — a shrink-proof dollar, a new balance between labor and industry, a reappraising of resources in light of the needs of 200-million Americans and rapidly-developing world markets



1929 1940

BY THE END OF 1959, the U.S. will reach the threshold of a half-trillion-dollar economy. It should cross that threshold in the first half of 1960.

Crossing the \$500-billion line will be an event in U.S. economic history of much more than statistical significance. It will mean that the national economy has entered a new and exciting phase, but one that's full of problems. The period of development just ahead has little close connection with the economic pressures of World War II or with the Depression—factors that have dominated most of the postwar years.

It took a century and a half for the U.S. economy to reach \$100-billion. We hit that mark in 1929. But after the great crash and the years of depression that followed, total national output didn't get back up to \$100-billion until 1940. Quickly, with the powerful surge of war production and a dose of inflation, we hit \$200-billion in 1944.

• Upward Drive—The coming of peace meant no stalling. The country swung into strong postwar growth: GNP hit \$300-billion at the end of 1950; \$400-billion by mid-1955. Behind this were three big factors:

 Heavy spending by consumers, well supplied with wartime savings and with credit that had flowed out to financial institutions in enormous volume as a result of government war financing. 1950

 Heavy spending by business to keep pace with this upsurge of demand.

Heavy spending by government.

300-Billion

In the second half of the 1950s the pressure for growth provided by consumer and business spending began to slacken. Soon after the economy passed \$400-billion, it began to be apparent that growth wasn't coming so easily as it had since the war. Well before the 1957-58 recession broke, a host of phrases had already been coined to describe this new phase: the Middle years, the Period Between Booms, the Time of Transitions, the Period of Digestion, the In-Between years (BW—Aug.10'57,p25).

Whatever the name, the effects are clear: In the three years since the economy reached \$400-billion, total output in constant prices has increased only $2\frac{1}{2}\%$ —an average gain of only 0.8% a year. Since population grew at an annual rate of 1.8%, per capita output actually has shrunk in the past three years. This is in sharp contrast to the 1939-55 records; then, total output in constant dollars grew at better than $4\frac{1}{2}\%$ a year, and per capita output at 3% a year.

Now the In-Between years are ending not with a bang or a whimper, but with a sigh that is a strange mixture of

caution, relief, and exhilaration.

Fresh Climb—The economy is moving up again, somewhat anxiously and hesitantly, but in a healthy and



@BUSINESS WELK

1960

Economy

broad-based way. In this last quarter of 1958, the recovery has already carried total national output above a \$450-billion annual rate. The inventory liquidation of late 1957 and 1958 is rapidly tapering off. Slowly but decisively, capital spending is on the rise again. Government spending, some of it contained in anti-recession programs, more of it in efforts to match Soviet military growth and economic drives, is climbing. Consumers, with incomes growing and debts reduced, are starting to spend more.

Next year will be one of gradually increasing activity. GNP, measured in 1958 prices, will move up from a \$463-billion rate in the first quarter to about a \$485billion rate in the last quarter. Prices are likely to creep higher, and if they increase only 1%, the fourth-quarter

rate would be \$490-billion.

· Cautious Mood-But the economy still has not completely digested the rapid growth in productive capacity. Consumers still aren't in a mood for an all-out buying binge. Indeed, the whole nation appears to be nearing the 1960s in a far more sober mood than when it plunged into the 1950s.

Inflation, once regarded as a heady, life-giving elixir, has become troublesome. It worries not just Federal Reserve officials, bankers, and old-fashioned economic theorists, but even auto manufacturers and auto workers.

Population growth isn't regarded as quite the unmixed blessing it was a decade ago. Government spending for the facilities to keep pace with more and more people may seem fine to the road and school builders; it's less attractive to people already worried about smog, shrinking water resources, urban congestion-and to taxpayers. Growing families may delight the butcher and milkman; but if papa's income is pinched in paying those milk bills, he may have relatively less for the furniture salesman or the new car dealer.

Rapidly improving technology still entrances all kinds of people-businessmen, engineers, Air Force generals, coal miners. But the possibility that productivity may outrun the economy's total demands for goods and services is more than an academic problem for airline pilots, longshoremen, telephone operators, auto workers.

There are serious puzzles for those who wonder how the nation can use its resources better to solve national

The economy grows-but bankers' bookkeeping grows even faster. This computer is New York's latest device for automated banking, and already it looks none too big. Bank of New York was processing 20,000 intricate, contract-type mutual fund accounts when it ordered this computer, two and one-half years ago. It figured the computer would handle 40,000 accounts along with other bookkeeping. Instead, the computer starts work on some 80,000 accounts.

An even bigger nightmare for bankers: checks. In 1957, banks processed 10-billion checks. In 1970, they expect 22-billion, each handled six or seven times. Bankers are demanding machines that will not only process data from a check, but will actually

read it and copy data off it.



problems that range from cold war to domestic peace.

The fundamental riddle of this new period-how to get more rapid economic growth without inflation-has still to be solved.

Hunt for a Shrink-Proof Dollar

Interest rates are pretty certain to rise next year. Business will have to pay more for the money it borrows-but probably the increases will not be sharp. Exactly what will happen depends in part on business' demand for credit; if it increases unexpectedly, the rise in rates will

be sharper.

It depends, too, on the workings of the Federal Reserve's independent, flexible monetary policy. For eight years the Fed has been trying to fight inflation with this policy. Businessmen, bankers, and the U.S. Treasury still find the policy unsettling and not altogether successful. They have found, the hard way, that flexible money policy means flexible-and sometimes gyrating-interest rates. In the last 12 months the money markets have been heetic and unpredictable.

• Slow Demand-Early next year, at least, it's unlikely those markets will be so changeable. So far, the business recovery has brought no rise in credit demand, mainly because business has funds enough for working capital and inventory accumulation. Late next year demand should start building up, and credit will be tighter.

But it's unlikely that credit will tighten on a graduated basis, even if the money managers plan it that way. For the fact is, there are a lot of influences at work in the money markets and Federal Reserve policy is only one

of them.

• Inflation's Specter-All during this year's recession there was a widespread fear of inflation, caused by the phenomenon of rising prices in the midst of the decline. This fear was expressed by both the Administration and the Fed, so that when the recovery began, investors started dumping bonds in the belief that the Fed would adopt a drastic anti-inflationary policy. At the same time, there was a rush in stocks, even by conservative institutional investors, largely as a hedge against inflation.

Conditions have been more stable in the last few months. Demand for capital tailed off, and the Fed is no longer easing credit, neither is it putting on a

squeeze.

• Fear's Effects—Though the money markets have stabilized, there's no assurance that the long-term problem of finding the funds to meet demand has been solved. The deep-seated fear of inflation limits the funds that investors are willing to put into fixed-income securities. Unless there is some hope of keeping the price-wage spiral checked, it's hard to see how debt money to pay for long-term expansion can be raised.

Achieving a balance is the financial community's biggest problem. No one has yet come up with any solutions, but there's an increasing awareness that something must be done to increase the flow of long-term savings

into fixed-income securities.

The stock market has had no trouble attracting funds, mainly because it is looked at as "inflation proof." But equities alone cannot finance long-term growth. Indeed, too much equity investment poses a threat to stability. for if demand for stocks pushes prices to unjustifiable heights, a correction is inevitable. And such a correction

might be depressing enough to pull business down, too.

Faith in the long-term bond market might be restored if that happened-but nobody favors such a return to boom-and-bust.

Any real attempt to increase the flow of savings depends on convincing the investor that there'll be no constant shrinking of the purchasing power of the dollar. That's why the hunt for a Sanforized dollar that began this year will be pressed even harder in 1959.

Labor Flees "Inflation" Tag

Unions have been telling their members in 1958: Once the economy gets rolling again, we'll press forward with our interrupted drive for economic and social gains,

Probably no employer will agree that labor interrupted its drive for gains in 1958. Wage increases negotiated during the year averaged only a fraction less than in 1957.

But to union officials there's no advance if you have to settle at the bargaining table for no more than you'd get if the existing contract continued for another year. Progress, they hold, consists in getting something more. And nothing new was added in 1958.

For 1959, the unions have one large negotiation to look to. The Uni'ed Steelworkers plan to demand a comprehensive medical care plan. This, in addition to wage demands, could be the largest package in recent years.

• Public's Image-In this negotiation as in others in 1959, labor will be pushing against a public feeling that wage increases play a large part in inflation. Some emplovers feel they have labor on the run, anxious to avoid being tagged with responsibility for inflation. So, many managements feel it will be easier for them to resist wage

Up to now, management often expected to be viewed as the villain in a strike. But the image may not be so strong any more. Government and professional economists-among them many who sided with union demands before—are sympathizing with the employers' charge that wage demands breed inflation and that management should resist them.

Washington Looms Bigger, Costlier

Pres. Eisenhower has long held to the vision of a fedcral government that's smaller and less expensive to run. But in 1959 and 1960 the government will be bigger, more aggressive, and more expensive than ever before.

Eisenhower is preparing what his aides call a "Spartan economy" budget for fiscal 1960. But last month's elections established a new tone in Washington. High spending and a more critical examination of business' ties with

government are certain.

• Democrats' Ideas-The victory-flushed Democrats are convinced that the voters repudiated Eisenhower's idea of what the government should be. The Democrats have their own ideas of what the voters want. These ideas aren't always clear, they are seldom spelled out, and no two Democrats would agree on all the details. But three main trends are certain:

(1) Federal spending will continue rushing upward. Even with Eisenhower at the peak of his influence, the budget soared by \$14.6-billion in the past four years. The increase for civilian services during this period was twice the increase for national security. Democrats now say this pace must at least be maintained to meet the needs

of an expanding economy.

Spending for the current fiscal year is officially estimated at \$79.2-billion; it may well get to \$80-billion. Eisenhower is doing his utmost to hold the budget for next fiscal year to less than \$80-billion. But Democrats in Congress will take charge, and outlays of more than \$80-billion are reasonably certain.

Five years from now, federal spending could well hit \$90-billion. And \$100-billion in 10 years looks merely a

routine milestone to Democratic spokesmen.

(2) Taxes will stay high. Even conservative Democrats are reluctantly surrendering their long-held hope that growth of the economy alone would provide all the additional taxes needed to balance the budget. At the rate of spending they now foresee, and at growth rates for the economy that seem reasonable to government experts, they conclude that receipts may never catch up with outlays—at existing tax rates and with the existing tax base. They feel that Congress may have to broaden the tax base, and this means depriving groups of taxpayers of special treatment now granted in the law.

(3) Business faces searching investigations about pricing

and its relations with government agencies.

Senate Majority Leader Lyndon Johnson has called for a broad, exhaustive Congressional investigation of the whole economy—with special emphasis on inflation, productivity, and unemployment (BW—Dec.20'58,p22).

Sen. Estes Kefauver (D-Tenn.) will press on with the study of price policies that already has brought steel and auto executives to the witness chair. The drug industry will have to explain how it sets prices on the many new

products introduced in recent years.

No major reform legislation is contemplated, but Democrats will remain alert for any advantage they may gain in the 1960 Presidential race. Their main purpose will be to try to show that Republicans are too closely allied to business to be trusted with the Presidency.

More Money for Cold War

The U.S. economy is not so autonomous and self-sufficient as it once was. In the past decade it has become firmly and permanently embedded in the outside world. Our world involvement—political and economic—now is a central fact of our economic life, and it's a stimulant to growth.

The political division of the world into two hostile camps has forced the U.S. to assume the leadership of

Organizing the unorganized-or at least union pressure on non-union workers and products-is taking

new and strange forms.

Pickets staged a rehearsal in December. Men from an uneasy alliance of American unions—the usually bickering Seafarers' International and National Maritime unions together with Teamsters and Longshoremen—joined European unions to demonstrate on waterfronts of the world. The target: about 1,500 ships, with 75,000 non-union crewmen operating under Panamanian, Liberian, Costa Rican, and Honduran flags. This hybrid form of boycott resulted in a stand-off decision in its first court skirmish, but the unions plan a longer-run performance in 1959.



the West and the main responsibility for its defense. American expenditures on defense and foreign aid account for well over half of U.S. government spending—no mean element in the American economy, whether you look at a GNP breakdown or at the profits of many

corporations.

• Costlier Struggle—There is nothing in the international outlook to suggest any change in this situation, unless it's a sharpening of the East-West struggle and a still deeper U.S. involvement in the rest of the world. Some Washington officials now are advocating a big spending increase for both defense and foreign aid. There is no other way, they say, to check overt Communist expansion. Others stress the Soviet economic offensive, with its increasing intervention in international commodity markets, and they ask for more foreign economic aid plus some government control over U.S. exports and imports.

• Foreign Returns—In a direct economic sense the U.S. has become deeply involved in the outside world. American private investment abroad now totals over \$30-billion, and is growing at a rate of \$3-billion to \$4-billion a year. Investment in American branches and subsidiaries abroad accounts for the bulk of this total. This direct investment in foreign operations has become the most dynamic element in our economic relations with the free world.

Sales produced by the overseas operations of U.S. companies now exceed our export sales by at least 50%. And these overseas operations produce close to 15% of total U.S. corporation profits after taxes.

Selling to a Contrary Consumer

Khrushchev's capers will keep the U.S. on its toes overseas. At home, nobody's likely to be more contrary in the \$500-billion economy than the consumer.

Consumers will be richer than they are now. But they probably will put much of their extra income into different goods and services from those that appealed to them

in the late 1940s and early 1950s.

They're no longer starved for automobiles, appliances, and other hardgoods—the demand for which kept business expanding in the postwar boom days. This is apparent even now: While people are making more money than ever, the consumer-durable section of the economy is lagging badly and getting a steadily smaller share of the buyers' dollars.

• Where Money Goes—Biological change is responsible for much of this. All those children born in the early postwar years—teenagers now—are taking more of the household budget just for necessities. Social changes demand that they have a more expensive education. Satisfying their wants squeezes incomes, and deferrable expenditures become just that much more deferrable.

There will be a fresh new demand for automobiles, appliances, homes, furniture. Population increases assure that. And these increases are projected at higher rates than was thought possible a few years ago. But something will be missing. It will be the dynamic quality of the population explosion right after World II. Then, the marriage rate was at its highest. VA and FHA housing loans supported the vast movement to the suburbs. Household formations jumped from less than 600,000 a year in 1940 to more than 1.5-million in 1950.

Such a peak won't be closely approached until 1975.

Even in 1965 it's likely that new families will be formed at a rate still under 1-million a year.

• State of the Market—All this will make a big market for 1959 and the years immediately ahead. It will be bigger than we have ever known. For softgoods industries it will be a healthy one: People will be buying more soap, food, fuel, and all the other necessities.

But the market will be a tough one for the men who make automobiles, appliances, and furniture. Businessmen in those industries will have to find how to keep an already well-stocked population buying the kinds of goods that have played such a big part in the U.S.

long-term prosperity.

They will need to produce something besides more of the same goods, for there are signs that the consumer is saturated with hardware. If they want to start a new spurt of growth, they will have to come up with new goods—with things as fresh as television was in 1949.

Obsolescence will have to be real, not based merely on style changes. Pressures will be great for ideas exciting enough to make people spend their money the way they did after the war. Though people will have a lot more money to spend they will have more ways to spend it—for both their real needs and their new leisure. Competition for the consumer's dollar will be tougher than ever.

• Challenges—The squeeze on the family budget reflects the fact that even as population grows, there are relatively fewer people in the work force. In the years just ahead, fewer people will be available to turn out goods for a bigger population. And so, in the service industries, where productivity increases come only slowly, labor costs—and prices—are bound to rise sharply.

Simply reaching the massive market that a \$500-billion economy represents will be another challenge to business. Mass communications, already fully developed, are becoming their own worst enemy: The demands for the consumers' attention are already so many as to require steadily improved and more expensive methods of attracting that attention.

 Two Demands—All this shows that business has two imperative needs:

 New and better products to excite the interest and draw the dollars of the consumer.

Keener selling methods to push the goods before
he people.

the people.

The sophisticated consumer, who has learned a lot from his splurge buying in the last 15 years, will be the main market that business must learn to master.

Backbone for Sales: New Products

Next year, industry will respond to the need for new and better products to the tune of a \$4.5-billion investment in research and development. That's a 10% gain over 1958 in industrial research spending, and it represents almost half the \$10.6-billion that industry, government, and the universities combined will put into research and development in 1959.

 Coming Flood—Industrial research budgets have been rising steeply for the last six years. And it's estimated that between five and seven years must elapse between the start of an industrial research project and the delivery of new products.

So it's likely that from 1959 onward an increasing

wave of new products will sweep through the national markets. Economists in many industries say more than half the sales gains their industries will register in the next few years will come from products that are now under development.

 Where to Watch—Most fields of research are reacting to the infusion of more money, more talent. Next year, the most noteworthy developments are likely to

come in:

Electronics—where a spate of new products is likely to flow from advances in solid state physics and metallurgy. The chief gains next year probably will come in drastic reductions in the size of electronic components.

Medicine—where a measles vaccine may well be ready for the market this spring, and a vaccine against some forms of cancer probably will be ready for limited use

soon after.

Polymer chemistry—where research's aim is to control the molecular construction of these materials. Developments in 1959 may run from disposable paper clothing, to new synthetic materials, to plastics that stand up under high and low extremes of temperature.

Optics—where the research effort is concentrated on the development of new properties in glass, through rearrangement of its structure. This would lead to new optical instruments sought for the ventures into

space.

More than half the nation's manufacturing companies have strong R&D programs going today. By 1962, it's estimated three-fourths of them may be in the research field. As the competition to find and develop new products becomes more intense, the costs of research grow sharply. Equipment becomes more expensive; areas of research tend to blend together, so projects call for more extensive research; and it costs more and more for a company to hire competent research scientists.

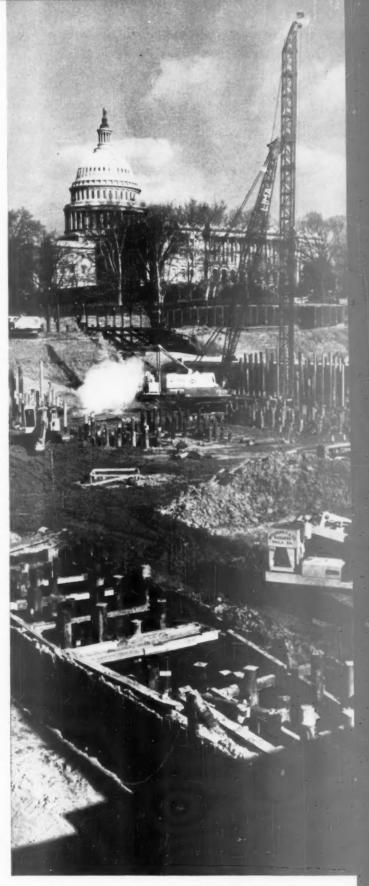
• Smaller Rewards—Yet, while research draws on more of a company's time and money, the potential reward becomes less. When many companies are seeking a similar product, it's always likely that several of them will find it at just about the same moment. Already, in the electronics and chemical industries a company with a new product barely gets time to send out a press release

With each New Year, the battle of the budget makes headlines. But, headlines or not, government

grows, seemingly inexorably.

In Washington, Capitol Hill reflects this continuing expansion. The structure rising here will provide offices for 436 members of the House of Representatives and their continually swelling staffs. Only a few months ago, contractors finished a similar building for the 98 senators and their staffs. In between the two office buildings, crews were giving the Capitol itself a \$10-million renovation.

Capitol Hill, of course, represents only a tiny fraction of the growth in government and of the volume of public construction. Federal employment alone has grown from 597,000 thirty years ago to 2.2-million. What this means in bricks and mortar is shown in one figure: Public construction will run to \$17.1-billion next year. What it means in functions that would have been considered fantastic in 1929: The Central Intelligence Agency is building itself a \$46-million headquarters in Langley, Va.



about it before the competition hits the market with the same line.

The growing pace of research means a growing crisis in the U.S. Patent Office. This crisis, bred of old policies and overwork, is bound to cause trouble for industry in 1959. Patent claims of research developments are infringing on one another every other day. Harassed Patent Office officials are issuing more and more joint patents. This spreads research knowledge through industrial labs. But it also spreads the reward of a company's increasingly costly research effort.

Where Industry Shifts Its Sights

So vast an economy as the one that's shaping up for the U.S. is bound to produce dislocations in some industries. Sometimes the adjustments are long delayed; the leaders of the industry seem to know what should be done to compensate, but they don't seem able to do it. Other times, adjustment is so swift that the men in the industry hardly know what's happening to them and their companies.

Look at some samples:

Munitions Makers

The whole U.S. defense industry is caught up in one of those fast-paced adjustments. The transition from manned aircraft to manless missiles has shaken the munitions industry. Now the pieces are beginning to settle, and they're realigned. Technological changes will keep reshaping the industry in the years just ahead, producing about as many problems as opportunities for defense contractors.

Defense is among the nation's largest industries. In 20 years it has grown from virtually nothing. In most of those years its largest segment has been aircraft production, and the airplane builders still form the largest part of the industry. But around them the munitions business has changed radically.

• Sorest Spot—To the airplane builders, one of the most alarming signs of the change is that profits have declined sharply. There's little chance that they'll rise again

When defense contracts covered a run of several hundred of one type of airplane, the manufacturer could cut his costs, and pile up some profits. But the big money that's spent on missiles usually goes chiefly for development work. Production runs are short. The manufacturer gets a cost-plus-fixed-fee contract. There's little he

can do to boost profits.

• Outsiders Push In—In the earliest days of missile production, it seemed that the airplane builders would lose a lot of business to electronics and propulsion system manufacturers, who would get the prime contracts for missile work. So far, though, prime contracts for only the smaller and medium-sized missiles have gone to electronics and missile-motor makers. In assembling and testing the big missiles, the airplane makers still rule the roost. For the next few years at least they'll probably hold their position.

Competition for the airplane builders is tough, though. And they're making it still tougher for themselves. Missiles cost so much that all the services have had to cut down on the number of projects they can support. Every aircraft company is bidding now for every big program.

It used not to be this way in the days of large orders for manned aircraft; then, companies had reputationsand got contracts-as specialists in particular types of aircraft. No more than four or six of them would bid for an airplane contract a few years ago. Today, 20 or 30 will bid for a missile program.

Not only are there fewer programs; there are fewer orders in each program. Defense work has shifted from a manufacturing operation toward one of development. As a result, the Air Force has warned that the industry has too many people, too much plant for the age of missile production. So far, there has been little shrinkage of plant and employment. But in the next couple of years there may be-even though the defense industry as a whole will take in and spend more money.

Unless the defense business is to be continued as a large, sophisticated kind of WPA, then it's almost completely dependent on the pulse of international politics

and U.S. foreign policy.

Profits in Atomics

Next year, atomic power industry will get its first profits. That will be transition enough for an industry that's had little but costs so far. The profits will come

from the first big orders for power reactors.

· Market for U.S.-Foreign buyers will place at least half a dozen orders for large nuclear power reactors. Though U.S. manufacturers like General Electric and Westinghouse will land some prime contracts, the market is likely to be disappointing to most U.S. equipment makers. Suppliers will scramble for contracts, pushing down the probable profit margin. And foreign producers, with lower labor and engineering costs, will make the scramble even tougher.

In the U.S., a second large nuclear power plant will start operations near the end of 1959. It won't produce power so cheaply as a plant using conventional fuel.

Meanwhile, Congress will keep the domestic utility and atomic equipment suppliers in an uproar with demands for establishment of government atomic power plants.

New Transportation

Transportation is long overdue for an adjustment to new economic conditions. In 1959 this huge industry will move much faster in its transition to a different

place in the economy.

For decades, the nation has had a surplus of transportation. There simply haven't been people and goods enough to fill the available equipment. The transportation industry won't solve this problem in 1959. But fundamental changes that began this year will speed the ad-

• In the Jets' Wake-The most dramatic event will be the arrival of large numbers of jet and turboprop airplanes. These are certain to increase the airlines' business. Practically all cities in the eastern half of the country will be only "commuting" distance apart. A businessman who now thinks nothing of flying from New York to Washington for the day will be able next year to go just as easily to Detroit, Chicago, or St. Louis and be home for dinner.

The turbine-powered plane will hasten the demise of the long-distance passenger train. Though many a railroad president stoutly insists he'll never quit the passenger business, the trend is all too clear. Next year it will be even more obvious.

First to go will be the sleeping car-by 1965, says an Interstate Commerce Commission examiner. Next will be the long-distance day coach, which is steadily losing passengers to the airplane, private automobile, and bus. Eventually, there'll be only commuter services, supported

at least in part by public funds.

· Shrinking Will Pay-The railroads will shrink. But though gross income will decline, the profit margin will improve. As they quit the passenger business they will free capital for investment in profitable freight operations, and maintenance costs will drop. With a better credit rating, the industry will finally be able to raise money to take advantage of modern technology. Mergers will cut needless duplication and there will be fewer but stronger rail systems.

If more of them get enlightened management, the railroads will retain and even recapture long-distance freight, because they can perform this service cheaper and better than trucks. The truck lines will get more of the short haul business, because there they have an

overwhelming advantage.

Stresses in a Changing Nation

Growth and change of the kind the U.S. will experience in the next years brings new social stresses, sharpens old ones. Some, like the morals of suburbia, make only cocktail party conversation. Others make issues for board room discussion, for they have a much more direct impact on business.

The Color Problem

One of the oldest of stresses-the relations between white and Negro-is likely to grow more painful next. year. There could well be further deterioration—possibly violence—and this will have economic repercussions.

• Boycott Weapon-This year, Negro leaders have been reassured by their successes. They have a new boldness that seems sure to drive them on in 1959. In the North as well as the South, they will use the economic weapon

This is the Tappan Zee Bridge over the Hudson north of New York City-and a milestone in development of U.S. transportation. A key link in New York's 538-mi. Thruway, it can be taken as a symbol of the end of one phase of transportation-the postwar booms

Built for decades of heavy use, the bridge and the Thruway as a whole are already generating revenue enough to cover their costs. And they've spurred growth: Industry has invested an estimated \$650-

million along the length of the Thruway.

But trucks have been slow to switch to the toll roads-they tend to stick to parallel and toll-free older roads. And railroads blame the new roads for part of their afflictions. The New York Central publishes a map showing how the Thruway stays within five miles of its mainline, blames it as a major factor in cutting passenger traffic.

Reason the great postwar surge in toll-roads is dwindling: a massive federal free-highway program.



of boycott more widely in fighting for equal treatment.

In the South, the Negro is still advancing economically. But next year, court cases on schools and related problems in Arkansas, Virginia, and Georgia will come to a climax. In this atmosphere, white businessmen probably will be chary about hiring or upgrading Negro workers, or about tolerating, much less encouraging, the Negro trade.

• Northern Tension—In the North, the tensest issue in race relations will be housing. The flow of Negroes from the South is unabated. Meantime, slums and tenements are being demolished. So the influx from the South puts real pressure on housing of any kind.

In the recession, Negroes suffered disproportionately from unemployment. Negro leaders in the North plan next year to press businessmen harder to rehire Negroesi But the job issue is one where there's little chance of violence; the cushion of unemployment insurance and relief payments seems to have averted that threat.

The Unemployed

People have talked a lot in the last decade about technological unemployment. Few have experienced it. But next year it's likely that many more will feel it firsthand. This will put a new stress on the U.S. social structure, for most of those who'll suffer next year from technological unemployment will be blue-collar workers.

• Economy's Slack—In 1959, technological unemployment will be conspicuous because, for the short-term, productivity is growing at a faster rate than the whole economy. Unemployment now, after about six months of recovery from the recession, is still around 6½% of the labor force. The recovery in 1959 probably won't be exuberant enough to push unemployment down to the low average postwar rate of 3.8%.

Automation advanced fast through most of those earlier postwar years. But the technologically unemployed had no hard time finding new jobs then, because the whole economy was growing fast, too.

Today they can't be so sure they will be absorbed quickly into another part of the economy. Thousands of production-line workers laid off at the height of the recession have found their companies are rehiring sparingly though they're simultaneously adding new machinery to their plants.

• More With Less—Mechanized tasks clearly require fewer workers in factories. There's probably no more significant trend than the course the metalworking industry has followed in the last five years. Metalworking capacity has grown 40% in that time—yet today there are 235,000 fewer cutting tools and 20,000 fewer forming tools installed in U.S. factories than there were in 1953. The auto industry, for one, is turning out a bigger, more complex product in greater numbers with only 75% as many machine tools as it used in 1953.

This trend toward fewer, bigger, more complex machines for a larger product will accelerate next year. And with fewer machine tools, there'll be fewer machinists.

In short, the economy is in transition to better use of more efficient machinery. This brings more jobs for the smarter, more adaptable workers and fewer for those who aren't so smart. And heightening, the stress of the transition is the economy's slow, cautious recovery from the recession. In a fast-moving boom, the problem

would evaporate. But in 1959 it isn't likely there will be that kind of boom.

• Tough Problems—There's no easy way for the nation to meet successfully the problem of aiding those hit by technological unemployment. It's always hard to move men out of industries or areas where they are surplus, develop new skills in them, and get them new jobs. For a start, it may be necessary to give them more unemployment protection.

For the long-term, though, the transition to the use of more efficient automatic and mechanical equipment means that industry will have to nurture and develop the brainpower of its employees. A company's investment in expensive new capital equipment is of little use if the company doesn't have a properly trained staff to run the new machines.

Managers for Massive Business

For U.S. business leaders, the near-at-hand \$500-billion economy will be a milestone on the road toward ever larger corporations. It will also mark the ultimate shift in the climate of business from one of catching up with demand to one of stimulating demand.

For most companies this will require more precise and efficient controls—techniques that are hard to master in large and growing corporations. Management will no longer be able to afford the inefficiencies that came with size and the easy ways of the postwar boom. The recession has taught many companies—to a far greater extent than either of the earlier postwar dips—that these inefficiencies are a costly burden when demand has to be stimulated.

• No Easy Way—Businessmen are already pretty familiar with the problems of bigness. Now they will have to solve them, because steady growth won't come with the easy assurance that it did in the first 15 years after World War II.

Managements that have hardly bothered about it before will have to make sure that their organizational setups permit them to get all the information they need to make major financial and operational decisions. In the past, it has often seemed that decentralization was the answer to this problem. But now it may be that the use of rapid electronic communications and the development of operations research will bring the whole burden of planning back into a more centralized operation.

• Men at the Top—In the competitive climate, these large corporations will have to be flexible. There are no pat solutions for this problem of maintaining flexibility. Organizational changes to meet changing market conditions will be the prime responsibility of executives. And there will be a need for more executives. Highly trained technical and scientific men will have to be fitted into the policymaking as well as the operational end of the business. The rise in importance of the professional business manager—the B-school graduate—is almost inevitable.

In the huge but sharply competitive economy that's coming, they will have to provide answers to the major problems of management. They will face a challenge far different from that of the earlier postwar years when the mere outpouring of goods was enough for their predecessors to bother about.



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With Filters, Record Cigarette Sales

			-195	7-		958			
	BRAND COMPANY	TYPE	BILLIONS OF CIGARETTES*	1	BILLIONS OF CIGARETTES	RANK		CENT	
	Camel R. J. Reynolds	Regular	66.0	1	62.5	1	-	5.3	
	Pall Mall Amer. Tobacco			2	55.0	2	+	1.9)
	Lucky Strike Amer. Tobacco			3	46.0	3	_	11.5	
	Winston R. J. Reynolds	King Filter	37.5	4	38.9	4	+	3.7	,
	KentP. Lorillard		12.5		27.5			~~ ~	
-	Characterial Liver to 8 Marries	& King Filter		11	37.5	5	+1	77.7	
	Chesterfield . Liggett & Myers	-	32.0	5	29.2	6	_	8.8	,
	L&MLiggett & Myers	& King Filter	24.4	7	22.9	7	-	6,1	
	Viceroy Brown & W'mson .	King Filter	27.3	6	22.2	8	-	18.7	•
	Marlboro Philip Morris	King Filter	19.5	8	19.8	9	+	1.5	
	SalemR. J. Reynolds	King Filter	11.0	13	19.5	10	+	77.2	
	KoolBrown & W'mson	Regular	5.7	12	4.8	11	_	15.8	3
		King Filter	6.6		8.9		+	34.8	3
			12.3		13.7		+	11.4	1
	Old Gold P. Lorillard	Regular & King	10.2)	10	8.4)	12	-	17.7	r
		King Filter	5.6		4.9		-	12.5	5
			15.8		13.3		_	15.8	3
	Philip Morris . Philip Morris	Regular & King	. 15.5	9	12.9	13	-	16.8	1
	H. Tareyton Amer. Tobacco .	. King	4.5)	14	4.2)	14	_	6.7	F
		King Filter	4.0		4.3		+	7.5	5
			8.5		8.5			0	
	RaleighBrown & W'mson	. King	6.7)	15	2.8	15	-	58.2	2
		King Filter	}		4.4			+	_
			6.7)		7.2		+	7.5	5
	Parliament Philip Morris	. King Filter	2.4	17	5.5	16	+	129.2	2
	Hit ParadeAmer. Tobacco.	. King Filter	3.5	16	2.8	17	-	20.0	0
	Newport P. Lorillard	. King Filter	1.0	19	2.8	18		**	
	Oasis Liggett & Myers .	. King Filter	0.5	20	1.4	19		**	
	Cavalier R. J. Reynolds	. King	1.0	18	0.4	20	_	60.0	0
	All others		5.0		2.0		-	60.0	0
	Total Filters		160.5 .		197.6		+	23.	1
	Total Regulars		167.0 .		146.9		–	12.0	0
	Total Kings		85.6 .	*****	79.5		–	7.	1
	GRAND TOTAL		409.4 .		424.0			3.0	6

Data: BUSINESS WEEK Estimates.

*Revised - **Introduced in 1957 - \dagger Not marketed as filters in 1957

© BUSINESS WEEK

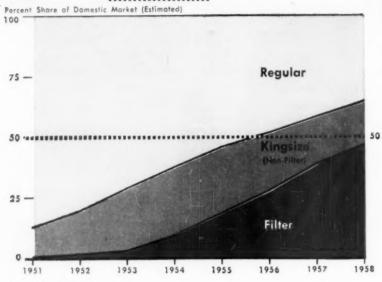
The chart above shows that the American tobacco industry is getting used to good news again. Several significant developments that took place this year emerge from the figures:

• Smokers, for the second year in a row, sent a record number of cigarettes up in smoke, making the fourth straight year in which sales exceeded the year before. To achieve this, the public consumed 424-billion cigarettes, some 14.6billion or 3.6% more than last year. Adding in the 33-billion tax-free cigarettes shipped overseas, the industry produced 457-billion units this year, according to BUSINESS WEEK's annual survey, prepared by Walter E. Knight, research director of the Greater Boston Chamber of Commerce.

 By this year, too, the industry is used to explaining its progress with one word: filters. This category now accounts for 46.6% of all cigarettes smoked (chart, page 50). With the exception of a modest gain for American Tobacco's nonfilter king, Pall Mall, filter brands were responsible for this year's entire increase in consumption.

 But this year, some weeding out among filter brands seems to be shaping up. In contrast to previous years, in which all filter labels either gained or held ground, this year most of the

Filters Reach for Half the Market



Dato: BUSINESS WEEK Est.

growth spurt came from a few brands, especially from P. Lorillard's Kent. Most of the other filter brands registered small gains, but four labels, including top brands like Liggett & Myers' L&M and Brown & Williamson's Viceroy, sustained losses. This development suggests that smokers are beginning to display strong preferences. Just sticking a filter on a cigarette will no longer insure its sales growth.

• Linked to the growth of filter brands, two shifts in competitive company standing occurred this year (chart, page 54). Early in the year, R. J. Reynolds took over first place in market share from the long-time leader, American Tobacco Co. The latest figures show Reynolds with 28.6% of the domestic cigarette market, compared with American's 26.5%. And P. Lorillard, hanging onto Kent's tail, soared from sixth place in a field of six to tie Liggett & Myers for third place.

• Fast Rebound—This year's record adds up to a solid industry recovery since 1952. That year, sales of 394-billion eigarettes climaxed 20 years of steady growth. Then, widespread reports of a possible link between lung cancer and smoking ushered in a two-year decline, with sales hitting bottom at 386-billion eigarettes in 1954. The industry began to climb back, and last year surpassed the 1952 record. This year's new record confirms the power of the present sales surge.

I. Selective Gains

Filters swept all before them in 1958. A glance backward for a few years points up the meteoric rise of this eigarette category. In 1950, filters accounted for less than 1% of the total domestic market. Regular size cigarettes held almost complete consumer loyalty, and the four top regular brands, Camel, Lucky Strike, Chesterfield, and Philip Morris, commanded more than 80% of the total market. Even four years later, filters were taking only about 10% of total sales. Then in 1956, filters outsold king-size cigarettes. Last year, they pushed ahead, and this year, filters sold 197.6-billion units, a 23.1% gain, far outselling any other category, and coming close to taking half the entire cigarette market.

• Smokers Get Choosy-Up to this year, practically every filter brand has been carried along in the floodtide. Now, with 14 top brands on retailers' shelves, buyers are getting selective.

shelves, buyers are getting selective.

One brand, Lorillard's Kent, paled even its success story of last year.

As recently as two years ago, Kent was an also-ran among filter brands. Then, when Reader's Digest published an article citing Kent's filter as the best on the market, it soared from 1956 sales of 3.5-billion to 12.5-billion last year (BW–Nov.2'57,p158). This year, Kent tacked on another 25-billion units, for a gain of 177.7%, shooting from 14th place to fifth place among all brands. Kent became second among filters to Reynolds' Winston, but the gap is only 1.4-billion units.

With Kent grabbing 25-billion of the total 37.5-billion increase that all filters racked up this year, other brands had little room to stretch. Winston, the first filter eigarette to move into the top ranks among all brands, held its place as the leading filter with a 1.4-

oillion unit increase. Philip Morris' Marlboro and American's Herbert Tarcyton showed modest gains and Philip Morris' Parliament increased substantially from a small base. Among menthols, Reynolds' Salem moved up by 8.5-billion units to snatch first place among this type of smokes away from Brown & Williamson's Kools.

• Falling Filters—But four other filters did not fare so well. Liggett & Myers L&M dropped 1.5-billion units, and Brown & Williamson's Viceroy, the leading filter in 1955, suffered a loss of 5.1-billion units, dropping from sixth to eighth place in the over-all brand ranking. Lorillard's Old Gold filters, which last year helped offset the decline of the regular and king version of that label, fell off this year. And American's hopeful, Hit Parade, despite a new filter introduced this year, did not sustain the gains it made last year.

II. Non-Filters Shrink

Regular and non-filter kings continued to fall this year. Among the kings, the one bright spot was American's Pall Mall. Until last year, this brand had grown without interruption ever since American acquired it in 1948. Last year it suffered a small decline, but this year got back on the growth curve with an increase of 1-billion units.

• Regulars Drop—Regulars are down from the 84% of the total market they held in 1950 to 34.5% this year. As in the past three years, this decline affected every single regular brand. Despite this, Reynolds' Camel held its place as the country's top selling eigarette. American's Lucky Strike sustained the greatest loss, 6-billion eigarettes, of any brand, but held on to third place. The gap between Lucky Strike and the fourth place entry, Winston, narrowed from 14.5-billion last year to 7.1-billion this year.

III. Competitive Shifts

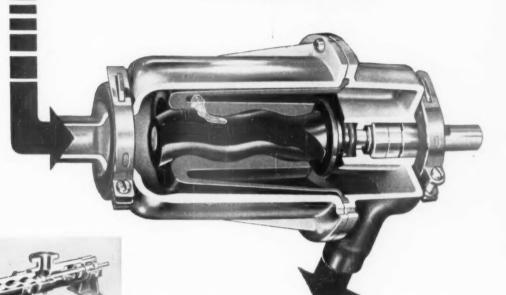
The shifting market of the past few years has caused plenty of jockeving among companies as they tried to get a winner in each cigarette category. Their present standings can be linked to how successfully they have shifted with the competitive winds. Revnolds holds the leading regular cigarette-Camel; the leading filter-Winston; and the leading menthol-Salem. This combination has enabled it to outpace American Tobacco, which has had more difficulty finding a spot in the filter market. American still holds the second and third ranking brands. Pall Mall and Lucky Strike. Pall Mall, especially, adds strength to its line-up. But American has not been able to cash in on filters substantially. Its Herbert Tareyton, out as a filter in 1954, sold 4.3-billion

MOYNO Pumps Oceans

(Pebbles and all) for

RCA WHIRLPOOL

Washer-Dryer



Industrial type Moyno . . . available to 500 gpm, pressures to 1000 psi.

Whirlpool Corporation needed a pump with high suction and positive displacement for its automatic combination Washer-Dryer. Though sparing of water during wash-and-7-rinse cycle, each RCA Whirlpool combination circulates oceans during its long life. A Moyno Pump provides the continuous, uniform flow, 1 to 15 gal./min., free from air locking. Most important, even relatively large particles—sand, pebbles, children's pocket loot—can't stop a Moyno Pump!

In fact, Moyno's revolutionary, yet simple design can pump anything that can be forced through a pipe! A helical screw-like rotor turning inside a double-helical stator forms progressing cavities that don't squeeze . . . can't stick or gum up . . . will not cause churning, foaming . . . won't aerate or vapor-lock. On OEM products and in pilot plants, small Moynos solve pumping problems that are different, difficult or downright destructive to ordinary pumps. Write today for Bulletin—50 BZ!



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SPRINGFIELD, OHIO











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IPS PROPELLAIR FANS

Pleasure

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...and its price is right, right now!

WHAT will America be like in 15 years?

Economists tell us there will be 60 million more people; that our total activate goods and services may automobiles will be 10% higher; will almost double; that personal incomes will be 50% higher; will not be uncommon; that some of us will travel into the "2 home" family almost uncommon; that some of us will travel into outer space; that we will own twice as many garments as today; that we will use 4 times as much electric-power.

an auen enecesspenses, omiste also tell us this growth is not automatic. Attainment of our Economists also tell us this growth is not automatic. Attainment of a full potential depends on wise planning and aggressive, far sighted management outer space; that we wan own twice use 4 times as much electric power.

America has grown faster in the past decade than it has ever grown before America has grown faster in the past decade than it has ever grown before.

Nevertheless, there is an increasing gap between its rate of growth and the lance at which we are adding the necessary facilities to assure continued growth. How wide can this gap become before inadequate, outdated and worn-out facilities cripple our growth:

OUR CITIES are becoming blighted far faster than our pr OUR CITIES are becoming blighted far faster than our programs to remedy them. More than 30 million Americans change their residency each them to metropolitan areas. This problem is not new, it just problem is not new to metropolitan areas.

our ports and harbors are antiquated, inefficient. Many of the OUR PORTS AND HARBORS are antiquated, inefficient. Many of the piers still in use were imategrate even before the turn of the century, but head service and repairs have been kept to lead service. The new St. Aux reners Seaway creates a big demand for expenditures for harbor facilities. Inland ports will mushroom and coast ports must improve to stay in business. keeps on increasing.

OUR HIGHWAYS are being increased through the largest single con-struction program in the history of the world. Yet, as huge as this road-building program is, it is already claimed that it will fall far short of our needs and must be augmented by additional programs. OUR HIGHWAYS are being increased through the largest si improve to stay in business.

ours se augmented by anutional programs.

OUR SCHOOLS, despite all recent construction, are still over-crowded.

And the big boom is still to come. College applications are expected to double by 1970, Bigh schools will require three times as much space and three times as many trackers.

OUR AIRFORTS are the bottlenecks of the jet age. Few commercial air-fields are adequately equipped to handle jet airliners. Present plans demand the construction, by 1960, of new facilities for at least 70 airports to prepare them for jet traffic. Only 55% of the funds needed for jet age expansion and modernization are in eight for the 4 itseal years July '58 through June '62. OUR AIRPORTS are the bottlenecks of the jet age. Few commer

OUR WATER SUPPLY facilities must be increased if they are to meet new and existing demands. Annual spending for these facilities has to be

increased by 25% to provide the same quality of service that c World War II. Per capita use of water has tripled since 1900 and to increase a third more to 2100 gallons per capita per day by 181 try has not yet been able to make up for its hiatus of construction

OUR SEWAGE TREATMENT facilities are ina the 96 million people served by municipal sevage systems.

Health Service has published figures showing that, although and collection systems construction has been increasing since of published metallicing machinish the matterial construction has been increasing since of publisher metallicing metallicing the matterial construction. and emiscents reasons tanger units should increasing anitor of pollution material reaching the nation's watercourses has

Have all these needs of the nation grown without th Have all these needs of the nation grown without the local governments being aware of them? Of course not, local governments being aware of them? Of course not working to the current basic needs are already in the planning moring to the countersection stage too slowly! Although the polition on bow the financing burden should be shared between the stage of the shared between the shared betwe only adds to the final cost—no matter how financed.

The pity of it all is that there will never be a better than vight now. The capacity of the construction industrial tenses with reverse a netwer to because of the spuri in industrial construction during it is as just a few months ago that contract awards find the way just a few months ago that contract awards find an 18 month recession. Thus, vight now there is a general contract awards from the con at was just a ten months ago that contract awas an 18 month recession. Thus, right now there an 16 minth recession, 1 nas, right 1 capacity in the construction industry.

The big increase in competition for new work, it ages, the abundance of modern construction machine of materials have resulted in lower bids being turne struction is now going at bargain prices...but these Recause of higher productivity, contractors valued in struction is now going at bargain prices...but these
Because of higher productivity, contractors raised to
1950's than the rise in costs of basic building mater
higher productive will maximum to higher productive will maximum to had a decrease. higher productivity will continue to hold down the higher productivity will continue to note never it these prices are bound to move upward because wages. Building costs today are not only cheaper i wages, builting costs today are than they will be in the years just ahead.



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Street, New York 36. N. Y

Several times during the past few years, our nation and its elected representatives have faced decisions which had a great bearing on the progress of our nation and the construction industry.

On each of these occasions, Engineering News-Record, as the leading business publication of the construction industry, saw fit to publish special messages directed to the American people and the individuals faced with the decisions. These messages appeared in major newspapers and were sponsored wholly by Engineering News-Record.

America is again at a crossroads that affects the future of the country and the construction industry. And again, Engineering News-Record is presenting a special message on the subject. This message appears in Business Week and the Wall Street Journal.

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TMI by-passes tonnage goals identified with most commercial production of tubing . . . to give its customers distinct advantages available only with the "closest tolerance" tubing! This organi-

zation concentrates all its abilities on Thinking Big about the production of the finest in close tolerance I.D. and O.D. stainless steel and special alloy tubing.

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BRIDGEPORT (Mantgamery County), PA.

Reynolds Takes Over Top Spot

Estimated per cent share of domestic cigarette market by companies

COMPANY	1955	1956	1957*	1958
R. J. Reynolds Tobacco Co	25.8%	27.0%	28.2%	28.6%
American Tobacco Co	32.5	31.6	28.8	26.5
P. Lorillard	5.9	5.0	7.4	12.6
Liggett & Myers Tobacco Co	15.6	14.8	13.9	12.6
Brown & Williamson Tob. Corp	10.4	11.4	11.4	10.2
Philip Morris	8.5	9.0	9.3	9.0
All others	1.3	1.2	1.0	0.5
TOTAL	0.00	100.0	100.0	100.0
*Revised Date: BUSINESS WEI	EK Estimata			

Data: BUSINESS WEEK Estimate.

this year. But its chief hopeful, Hit Parade, has never exceeded more than last year's showing of 3.5-billion. American has no menthol entry.

• Lorillard's Problems—P. Lorillard offers an even more dramatic example of the problems in meeting diverging trends. Its Kent is the talk of the industry. But its one-time biggest brand, Old Gold, is staggering. In an effort to rescue the brand, the company first sleeked up the Old Gold filter in new packages, then brought out Old Gold 'Straights," both as regular and king, also in fancy new dress (BW-Jan.18 '58,p90). So far, the scheme hasn't worked. This year, not only did regular and king Old Gold continue the downward slide, but even the filters lost ground.

· How Much for Filters?-With filter cigarettes very close to half the total market, the industry is asking itself how much farther can filters go? A year ago, various industry leaders were saving privately that this category should level off at about 50% of the market. But after this year, some of them are raising their sights. The head of one of the companies that has a strong filter points out that young smokers almost exclusively prefer filters. Such a trend, in his view, makes possible a lot more gain for filters, possibly reaching three-quarters of the market.

IV. What's Next

Looking back on the tricky currents of consumer preference of the past few years, industry members also are wondering what's next. On the surface it would seem the industry has done about everything to cigarettes it can-kingsized them, tipped them, filtered them, mentholated them, flip-top boxed them. It has given the public a bewildering variety of choices. Between 1950 and last year, seven new brand names joined the 13 already on the market. What with different sizes and types selling under the same name, the smoker actually had 15 new choices to ponder over. This year, one more filter, Brown & Williamson's Raleigh, joined the

• New Trend—One possible new trend already has appeared. Stephano Bros., a specialty tobacco company, introduced Trend, a little cigarette-like cigar, a month or so ago. Trend has won smokers in a number of markets, and other companies have similar versions on the market. The big companies, which keep their plans secret, are known to be watching this type of product with great

Another good bet for next year is some tobacco company diversification. Several of the six leaders, such as Philip Morris, already have diversified to some extent. Only recently R. J. Revnolds and Warner-Lambert Pharmaceutical Co. were talking merger (BW-Oct.4'58,p38). Even though the deal fell through, it was an indication of a trend.

A certain bet, too, is more heated competition for the filter market. This vear saw a bare-fisted battle of claimswith Kent, Hit Parade, and Parliament all shouting that they filtered best (BW-Jan.14'58,p52). Now that some brands are not sharing in filters' gains the fight will get hotter.

• Rising Earnings-Despite the competitive problems, the over-all increase in consumption showed itself in increased earnings per share for the five companies that report. Here are their after-tax per common share earnings:

		1958 (Esti-
Company	1957	mated)
American Tobacco Co.	\$8.28	\$9.71
P. Lorillard	3.79	7.75
R. J. Reynolds	6.15	7.25
Liggett & Myers	6.85	7.17
Philip Morris	4.50	4.75

Over-all, the industry's pre-tax net has continued to move up. As a percentage of sales, it rose from 3.8% in 1951 to 5.5% this year. END

Excise Troubles

IRS ruling raises manufacturers' tax base on products sold under cooperative advertising agreements.

A new Internal Revenue Service ruling jarred producers and merchandisers of items subject to manufacturers' excise taxes last week. The rule permits IRS to collect more tax than in the past on such items when they are sold under cooperative advertising agreements.

These agreements work a variety of ways. Sometimes manufacturers sell their products at a discount, with the understanding that retailers put up a like amount for local advertising of the product. Or the agreements can work the other way, with manufacturers in effect selling at a higher price, earmarking the extra for advertising, and generally chipping in a like amount of their own cash. Sometimes a manufacturer accepts the extra sum as a deposit, and refunds it to the retailer, plus a like contribution of its own, with the whole amount to be spent on advertising.

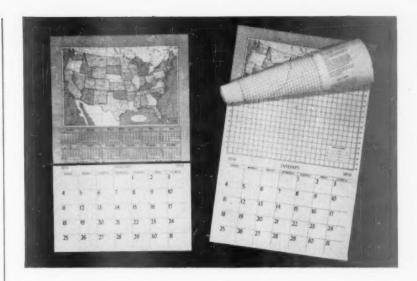
• Counted In—In the past, these allowances have not been included in the sales price on which the excise tax is based. Now they will be. For example, on an item costing \$100, manufacturers in the past might discount the item to \$95, with the understanding that retailers use the discount for advertising and add \$5 of their own. Heretofore, manufacturers have computed the excise tax only on the \$95. The new ruling makes the taxable base the full \$100.

Similarly, a manufacturer could add \$5 to the price of a \$100 item, throw in a matching \$5 for advertising. In the past, the tax base would have been \$100. The new rule would make the taxable base \$105.

According to National Retail Merchants Assn., if the retailer paid the extra \$5 as a deposit, which the manufacturer refunded and matched when the retailer provided evidence of advertising outlays, the taxable base was \$95. IRS, however, says that even in the past the tax base under this arrangement would have been \$100.

The manufacturer pays the tax, but then collects it from the purchaser wholesaler or retailer—who compensates for the tax by a higher price. Thus, raising the tax base would raise the price that the consumer eventually pays.

At least one big appliance manufacturer says the case will go to the courts for thrashing out. Opponents of the ruling say the old concept has held for some 25 years. If anyone changes it, it must be Congress. END



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Mr. B.'s \$3,000,000 trousers

(A true story)

DO THE TROUSERS you're wearing right now have a hook top closure instead of a button? If they do, you yourself are a part of this story.

Mr. B., vice president of a large clothing manufacturing company, was dissatisfied with the traditional top button on men's trousers. He was certain he could create a closure that would give a smoother fit and, at the same time, be less expensive for the manufacturer to apply.

Experimenting in his home, he perfected a hook and eye device—one that was neat, sure and an integral part of the trousers. Feeling that his efforts were successful, he brought the idea to The First National Bank of Chicago.

Our officers in Division B, which lends to the clothing industry, were intrigued. They knew the clothing business, recognized that the potential in the new closure was a revolutionary improvement. So they agreed to lend

Mr. B. a few thousand dollars to go into production.

Since then millions of trousers with Mr. B.'s patented closure have been manufactured. Some time ago the company was sold for \$3,000,000 on a royalty basis.

Not every bank customer has grown so phenomenally. The point is that officers in each of the 10 Divisions of the Commercial Banking Department here are alert to growth potential—and that their imaginative service encourages it.

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In Marketing

Who's Who Takes to the Distaff, New Volume Lists 20,000 U.S. Women

Women now have their own official record of achievement. Marquis-Who's Who, Inc., which publishes Who's Who in America, has issued a Who's Who of American Women.

The new volume contains brief histories of nearly 20,000 American women, some 2,000 of whom appear in

the regular Who's Who.

The publishers note that the largest single vocational category is made up of women who are primarily club, civic, and lay religious leaders, with 2,988 in this group. Businesswomen make up the second largest, with some 2,500 names. College educators comprise group No. 3, followed by artists.

Toy Sales Fall Below Last Year's Despite Last-Minute Spurt

The U.S. toy industry made a comeback in the last months of 1958—but not enough to put it ahead of 1957.

This is the estimate of the Toy Manufacturers of the U.S.A. Pres. Richard E. Long reported last week that—despite strong gains by some manufacturers—over-all sales dropped some 2% to 4% below the preceding year.

The association's Statistical Committee, which bases its estimates on monthly surveys, reckons 1958 manufacturers' sales at \$775.6-million, against 1957's \$807.9-million. At normal retail prices, this would mean retail volume of \$1,411,646,600 this year against \$1,470,463,540 in 1957. Whether retailers actually reach the normal volume is open to question, though. Committee Chmn. Herman Fisher notes drastic price cuts at retail to meet stiff competition.

Manufacturers' profits have been skidding. In 1956, the average net income was 3.2% of sales. This dropped to 2.5% in 1957, despite a sales increase of 9%. Fisher adds that the profit downtrend apparently continued through this year, with more companies reporting losses.

Only a last-minute rush prevented a bigger decline. Store buyers underestimated demand clear through October. Then orders came flooding, to put them 5% ahead for the last two months. There's likely to be little surplus on the shelves when the year ends.

Heinz Puts Ketchup in Foil Packet To Tempt Food Service Industry

H. J. Heinz Co. is renewing its bid for the business of the food service industry. This week it announced that it is offering Heinz Tomato Ketchup—which it calls the world's largest selling ketchup-in a single-service container.

The little package of aluminum foil holds ½-oz. It follows the company's introduction last June of its Mild Mustard in a single-service plastic envelope.

Heinz doesn't expect the individual containers to replace the standard bottles on restaurant tables. It does expect to find a thriving market where prepackaged convenience is a big plus: on railroads, airlines, in drive-in restaurants, hospitals, cafeterias, and the like.

Life Will Supplement Latin Publication With an All-Mexican Edition

For the first time, Life International is going to concentrate on a single overseas market. Edgar R. Baker, managing director of Time-Life International, this week announced the forthcoming publication of a Mexican edition.

This will supplement Life en Espanol, the Spanishlanguage Latin American edition started in 1953. Initial circulation guarantee of the Mexican edition is 100,000. It will carry the editorial content of the regular Latin American edition, but will also include additional articles aimed specifically at Mexican readers.

Life will give advertisers the choice of advertising in the entire Spanish-language edition, or running their

ads exclusively in the Mexican edition.

The switch in policy, Baker says, was made after it became obvious that there are major differences country-by-country in the economic growth and market characteristics of Latin American republics. Mexico's political stability and the growth of a middle class as the economy continues to make gains were the deciding factors. In addition, advertisers are demanding greater flexibility, just as they are in the U.S., where magazines increasingly are sprouting regional editions.

Baker admitted this was a "probing" by Life to determine whether the policy should be carried further to

other countries.

Employees Benefit Groups Obtain Control of McCann-Erickson

The retirement of Harrison K. McCann, co-founder of McCann Erickson, Inc., as board chairman this week capped a series of moves since 1943 that puts the voting control and ownership of the big advertising agency in the hands of the company's Employee Benefit Plans.

Marion Harper, Jr., was elected chairman to replace McCann, who was elected honorary chairman. Harper also remains as president. Henry Q. Hawes retired as director and member of the finance committee.

The Employee Benefit Plans began buying voting stock in 1956 and now has obtained a majority, after the company bought back and retired the founders equity stock. "This is the first time to the best of our knowledge," according to Harper, "any sizable agency has been controlled in this manner."

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CALIFORNIA

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CHARTS OF THE WEEK

The Income Pattern: Business Week's Regional Income Indexes

U. S. Incomes: Up 1.7% From Last Year



Federal Reserve District	% Change vs. year ago	October 1958	he Indexe Sept. 1958	October 1957
1. Boston	+1.5%	296.82	292.31	292.30
2. New York	+0.9%	321.58	320.36	318.73
3. Philadelphia	+ 3.1%	317.22	313.91	307.80
4. Cleveland	+ 0.5%	355.71	355.04	353.83
5. Richmond	+ 2.8%	389.63	388.33	379.05
6. Atlanta	+ 3.8%	474.92	484.15	457.66
7. Chicago	-1.4%	358.70	362.29	363.73
8. St. Louis	+ 2.3%	337.97	344.49	330.46
9. Minneapolis	+ 2.6%	379.01	380.75	369.49
10. Kansas City	+4.5%	441.97	441.94	422.93
11. Dallas	+ 0.4%	506.05	510.08	504.09
12. San Francisco	+4.4%	422.02	418.18	404.18
Nation	+1.7%	369 79	10.12	363.50

1941 = 100; adjusted for seasonal, Oct. figures preliminary Sept. revised.

Still Recovering Lost Ground

U.S. incomes in October, 1958, improved 1.7% over the year-ago level, according to BUSINESS WEEK'S Composite of Regional Income Indexes. This continues the pattern of recovery from the low point in the year-to-year comparison last May and brings the index to its second-highest level.

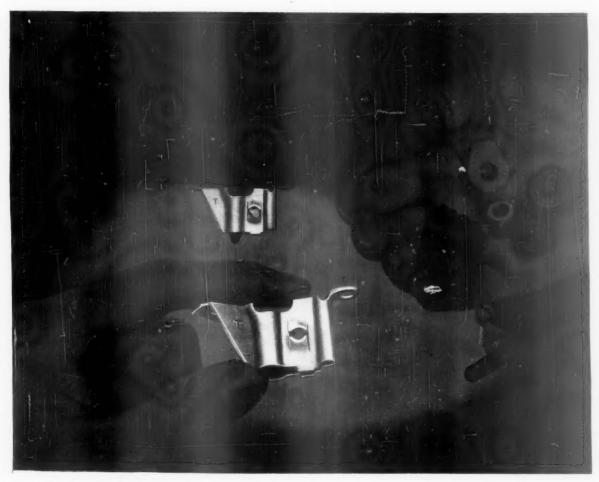
Higher incomes were reached in all regions except Chicago where recovery was slowed by industrial disputes in durable goods industries. In seven regions the upturn exceeded the national average, Kansas City continued to enjoy the largest year-to-year gain, with San Francisco and its booming West Coast defense industries close behind.

The high level of construction activity, particularly in housing and roads, contributed to the improvement in most

regions. Greater mailability of mortgage credit pushed housing starts to the highest Ostober volume since 1955. Total employment rose alm at 700,000 from September to October despite work stoppages.

In the monthly comparison, October incomes dropped an almost imperceptible 0.1% under September for the nation as a whole. Boston again topped its previous record-high income level by 1.5%, while five regions—Atlanta, Chicago, St. Louis, Minneapolis, and Dallas—showed a month-to-month decline. Atlanta and St. Louis dipped 1.9% from September, yet both regions made impressive gains over year-ago levels.

All-time peak incomes were reached by three regions—New York, Philadelphia and Richmond.



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Four parts eliminated ...

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representative will discuss your problem, arrange for the Analysis. He's listed in your Yellow Pages under "Fasteners." Or write to:

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You can now specify windows of sturdy, lasting stainless steel—at a cost much lower than you may think. Reason? Manufacturers now *roll-form* windows from Allegheny Stainless and pass the fabrication economies on to you.

In actual bidding recently, the price of roll-formed Allegheny Stainless windows averaged only about 10% higher than another non-stainless metal.

Vital to architecture, durability and compatibility are inherent in Allegheny Stainless. It never requires chemical films for surface protection, and virtually cleans itself with normal rainfall. Because of an amazing resistance to corrowsw 7296

sive atmospheres, the brightness and freedom-from-pitting of Allegheny Stainless are recorded history; yet different patterns, textures and colors make news each day.

Stainless steel windows—of all-welded design and tubular construction—are available in Allegheny Stainless Types 202 and 302.

Include Allegheny Stainless in your design-thinking now. Learn how you can get the quality of stainless steel windows for much less than you think. For additional facts, and manufacturers' names, write to Allegheny Ludlum Steel Corporation, Oliver Bldg., Pittsburgh 22, Pa. Dept. W-12.



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INTERNATIONAL OUTLOOK

BUSINESS WEEK DEC. 27, 1958



Why is Russia's Anastas Mikoyan coming to Washington? That question has U. S. officials stumped. They can't figure what Russia's First Deputy Premier wants from his trip to the U. S. in January.

It's assumed that Mikoyan will want to discuss the Berlin crisis and U.S.-Soviet trade. He is rated as Premier Khrushchev's chief assistant as well as Moscow's shrewdest trader. But, U.S. officials ask, what proposals can Mikoyan make that would have a chance of breaking the deadlocks on either Berlin or trade?

As the West sees things, the Berlin crisis can be solved only if Moscow leaves things there as they are, or agrees to German unification via free elections. There's no sign that Khrushchev intends to do either.

As for trade, Khrushchev and Mikoyan undoubtedly want to buy industrial equipment and knowhow from the U.S. They need help in automation and in chemicals if they are to succeed with their new seven-year plan. But much of the stuff they want here still is on our banned list. In any case, how would Moscow pay? The West already has an oversupply of most of the products Russia could export to the U.S.

There's a feeling in Washington that something else may lie behind this unprecedented visit. Some officials figure that it may be connected with Khrushchev's new, violent attacks on Bulganin, Malenkov, Molotov, and Kaganovich—his demoted rivals. These attacks suggest that Khrushchev could be in new political trouble at home. Therefore, the observers guess, the Soviet premier may be gambling that Mikoyan can force Washington's hand either on Berlin or on trade—or at least divide the country on these issues.

If that's the case, Mikoyan may go in for a real propaganda campaign while he's here—working both on Congress and the press. He could play up the danger of war over Berlin, thus try to build public pressure against the Administration's tough stand. Then, as bait, he might talk about the huge market waiting for American industry in Russia.

Behind the scenes, Mikoyan might even try to blackmail the Administration into a trade deal. He might threaten to dump Soviet surpluses of raw material on world markets. If this dumping were on a big scale, it could force the U.S. government—against its will—to take over part of this country's export and import business.

Washington is trying hard to improve relations with Pres. Nasser of the United Arab Republic. Right now Nasser is alarmed at growing Communist influence in Iraq. So U. S. officials think there's a chance to bring him closer to the West.

This week the U.S. leased a big Army dredger to Nasser for use on the Suez Canal. The deal was made at cut-rate prices. Washington has other, more important, economic gestures in the works.

In West Germany, there's talk that the West may build the Aswan Dam after all. The Germans are ready to put up \$50-million for a start, if the U.S. and Britain together match that amount. If the West comes through now, say Bonn reports, Nasser might turn down Moscow's recent offer of a 400-million ruble credit for Aswan.

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK DEC. 27, 1958 Still, the outlook for a real understanding with Nasser isn't very bright. According to Middle East observers, the Egyptian dictator will keep his economic and military ties with Moscow unless the West gives him a free hand in the entire Middle East. Just for his being neutral, say these observers, Nasser will demand that we give up the Middle East as a zone of Western influence.

Oilmen are up in arms over Venezuela's sudden decision this week to hike taxes on oil-company profits. The decree, announced by the provisional government, raises taxes from 26% to 45% on profits above \$9-million. (It also applies to non-oil investments, such as iron-ore projects of U.S. Steel and Bethlehem.)

The tax move (retroactive for 1958 profits) seems to alter the historic 50-50 formula for splitting oil profits and royalties with host governments. At least, that's the way Creole Petroleum, affiliate of Standard Oil Co. (N. J.), and other big operators interpret it. They say Venezuela now will be operating on a 60-40 principle.

State Dept. takes a much milder view. It says the tax hike won't basically alter the 50-50 formula. (In its reading, the decree also may affect only 1958 profits.)

Oil companies had expected a tax boost. But they were awaiting give-and-take negotiations with the new government of Pres. Betancourt, which takes over from the present junta in January.

U.S. businessmen see a sharp contrast in the financial soundness of two other key countries in Latin America:

Argentina is in bad trouble, but getting help. It's about to receive a loan package of over \$300-million from Washington and U.S. private banks. That's partly because Pres. Frondizi has opened the door to foreign oil companies on a reasonably liberal basis. A portion of the loan package is contingent on Frondizi's efforts to push austerity. But no one in Buenos Aires is betting that he will succeed—without stirring labor unrest.

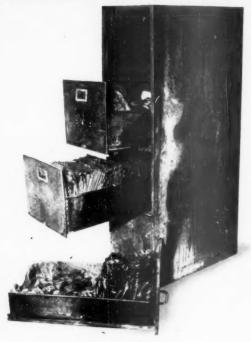
Mexico's 1959 budget of \$750-million, approved last week, is the highest in history. But bankers in Mexico City think the new government of Pres. Lopez Mateos will be able to pay its way. For the first time, education—and not public works—will take the largest slice of expenditures.

Note these yearend economic developments across the Atlantic:

- British retailers and stockbrokers have had a bumper Christmas season. Sales of cars and consumer durables have been helped by a big expansion in consumer credit. (Official curbs came off in October.) The London stock exchange, where prices started up last February, kept on booming right into Christmas week. The industrial index reached a peak December 22.
- West Germany expects 1958 to show a record \$8.8-billion in exports, up to 2.5% over 1957. With imports down 2.3% (to \$7.4-billion), Bonn is getting an even fatter trade surplus than a year ago.
- France will devalue the franc, if Paris rumors prove correct. Devaluation wouldn't come this time as a result of a financial crisis. It would be a deliberate move to make French exports more competitive in the European Common Market, which starts next week.

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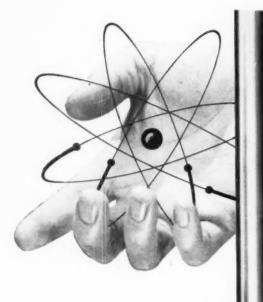
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How to tame the atom with tubes of zirconium alloy

Atomic reactor construction presents many tough problems. Some of the requirements are fantastic. Tubing, for example, should combine low neutron absorption, good corrosion resistance and high strength properties at elevated temperatures. Tube made of zirconium alloy has all these characteristics and is, therefore, the most desirable of present known materials. However, fabrication is extremely difficult. The metal tends to work-harden quickly, and requires many heat-treating operations. Ordinary heat-treating equipment cannot be used. But our Wolverine Tube Division licked this problem with a special furnace which heats and cools the tube under vacuum. And today, Wolverine is the nation's largest producer of extruded and cold worked seamless zirconium alloy tube in this fast growing market. Surmounting difficulties and coming up with an answer to the "impossible" is typical, not only of Wolverine, but of all divisions of Calumet & Hecla.

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In Labor

Cost of Li	ving:	Wha	t's Hap	pening	g to It
	Total Cost of		1947-49 = 100		
	Living	Food	Clothing	He	using
				Yotel	Rent Only
November, 1950	105.5	104.4	101.6	108.8	110.0
November, 1951	112.8	114.6	108.5	113.7	115.4
November, 1952	114.3	115.0	105.2	115.7	119.5
November, 1953	115.0	112.0	105.5	118.9	127.3
November, 1954	114.6	111.1	104.6	119.5	129.2
November, 1955	115.0 .	109.8	104.7	120.9	130.9
November, 1956	117.8 1	112.9	107.0	123.0	133.8
November, 1957	121.6	116.0	107.9	126.8	136.3
December	121.6	116.1	107.6	127.0	136.7
January, 1958	122.3	118.2	106.9	127.1	136.8
February	122.5	118.7	106.8	127.3	137.0
March	123.3	120.8	106.8	127.5	137.1
April	123.5	121.6	106.7	127.7	137.3
May	123.6	121.6	106.7	127.8	137.5
June	123.7	121.6	106.7	127.8	137.7
July	123.9	121.7	106.7	127.7	137.8
August	123.7	120.7	106.6	127.9	138.1
September	123.7	120.3	107.1	127.9	138.2
October	123.7	119.7	107.3	127.9	138.3
Nov., 1958	123.9	199.4	107.7	128.0	138.4
Data Dept of Labo	r Buraou of I	abor Statistic			DEUTINESS WPS

Living Costs Climb Back To Peak Level Set in July

Transportation costs—new car prices and higher fares—pushed November living costs back up to the record July peak. The rise means a 1¢ pay hike to 1 million workers in the steel, aluminum, can, and aircraft industries, whose wages are adjusted semi-annually to the government's Consumer Price Index.

The CPI's transportation category rose by 1.8% as a result of higher price tags on 1959 model cars and higher fares for public transportation. Other items showed a moderate rise, except for food, which dropped 0.3%. The over-all rise was 0.2%, which brought the index to 123.9, matching the record high set last July.

Indiana UC Board Upholds Rubber Workers' "Alternate" SUB Plan

The Indiana Unemployment Compensation Board has approved an alternate supplementary unemployment benefits plan in seeming contradiction to an earlier ruling.

The board O.K.'d a United Rubber Workers' plan that provides for payment of SUB every third week. Under the plan, an unemployed worker collects UC for two weeks, and on the third week, SUB equal to three weekly SUB payments.

The Indiana ruling comes as a surprise, since the UC board vetoed a similar Steelworkers plan as well as a lump-sum substitute benefit proposal.

But in the Rubber Workers case, the board found that although eligibility for SUB was based in part on weeks in which UC was paid, no alternative benefits were actually paid for those weeks. Therefore, said the board, there was no overpayment.

In the Steelworkers case, the board held that under the steel union plan—though it provided for payment of SUB every fourth week—SUB payments were actually based on the entire four-week period. Some observers believe this to be a distinction without a difference, but it gets the board out of a very tight spot.

Workers Can't Draw Vacation Pay, UC at Same Time, Court Rules

Employees cannot collect vacation pay and unemployment insurance benefits at the same time, a New York State appellate court ruled recently. The court decision reversed the Appeal Board of the Division of Employment in the Twin Coach case. The board held that claimants were entitled to both vacation pay and unemployment benefits if payment for vacation time was an accrued contractual right under union agreements.

Grievance Accord Ends Strike By 44,000 at Chrysler Corp.

Some 44,000 Chrysler Corp. employees were back at work Christmas week following settlement of a strike over production standards by the United Auto Workers at Dodge Div.

Chrysler executives signed a "memorandum of understanding" with Dodge Local 3 and UAW international officers which—on the surface at least—indicated the company had been able to maintain its stand in spite of the 18-day walkout. The UAW agreed to accept time study as a method of determining production standards, failed to win the relief time it sought, but succeeded in securing jobs for a handful of extra workers in the Dodge plant.

AFL-CIO Expects Seaway to Create 25,000 Jobs, Girds to Organize Them

The AFL-CIO Maritime Trades Dept. this week completed preparations for organizing the new seagoing and shoreside jobs that will be created by the opening of the St. Lawrence Seaway next spring. The department has set up a chain of councils in the major lake ports to provide cooperation between MTD affiliates in the Great Lakes organizing campaign authorized last year.

The MTD claims a membership of 250,000 and embraces 14 international unions: The Master, Mates & Pilots, Radio Officers, Grain Millers, Operating Engineers, State County & Municipal Employees, Technical Engineers, Firemen & Oilers, Boilermakers, Marine Engineers, Office Employees, Seafarers, Carpenters, Hod Carriers, and Electrical Workers.

MTD estimates that 25,000 new jobs will be created by the Seaway opening, about half of them longshore.



Through busy Baltimore . . . Western Maryland Railway serves shippers who watch costs

Among Eastern seaboard cities, Baltimore has long been known as "The Money Saving Port", a title due to many advantages:

Start with efficient longshore workers. Add favorable port charges; and savings inevitable where cargo transfer is direct, via apron tracks.

Then credit Baltimore's strategic location. That makes for lower freight rates.

These help explain why, among all the Nation's ports, Baltimore stands No. 2 in import-export tonnage.

Now consider special advantages the Western Maryland offers you in its Port Covington Terminal:

- Modern merchandise piers, fully equipped for speedy, low-cost handling.
- Complete large-capacity facilities for high-speed handling of ore, coal and grain.

 Trackroom for over 2,000 cars adjacent to piers, plus radiophone control of traffic.

All these enable the Western Maryland to cut ship turnaround time, speed traffic off pier floors and contribute substantially to Baltimore's reputation as a moneysaving port.

Can the Western Maryland trim handling costs for you? For the answer phone the WM foreign freight specialist in your city.



PRODUCTION

Sparks for Intricate Machining

An improved Japanese spark machine tool stirs new interest. It can handle the toughest metals, producing a fine finish.

Where metals are hard to shape and tolerances must be held closely, machine shops are looking for new ways, such as chemical milling, explosive forming, and the use of tape-controlled milling and boring machines.

Latest of these methods is spark machining, with tools that erode metal electrically rather than chemically or mechanically cutting it away. Even the fastest new machines are slower than in other forms of metalworking, but they work to delicate tolerances, leave a fine finish, and need little attention from operators.

Excitement in the metalworking industry centers, at the moment, on the spark machining tools (picture) that Ikegai Iron Works, Ltd., of Japan is exporting to the U.S. through its new outlet, Japax America Corp. of Seattle (BW–Oct.4'58,p93).

• Rocketing Market—The new distributor has already sold one machine, the small model D-103, to Boeing Airplane Co. for delivery this year. Boeing engineers have been running tests on a demonstration model, and they say it seems to live up to the manufacturer's claim. The Air Force is also planning to evaluate the Japanese equipment.

The aircraft-missile business is interested in any method that will cut the cost and the reject rate in the intricate forming of tough metals. The electrical discharge machines will work on any metal that conducts electricity, including titanium, tungsten carbide, and the stainless steels.

The auto industry is another big prospective customer, particularly to use spark forming in making dies, some of which cost \$200,000 or more. This cost is almost entirely in the machining. A major auto manufacturer is talking of spending millions of dollars in the next few years for spark machining tools for die-making.

• In the Running—Ikegai, which claims to be the oldest machine tool manufacturer in Japan, already has about 150 of its electrical discharge machines in use in its homeland. It is going after the export market, especially the U.S., with a new, bigger model.

The Japax machines fit in well with Japan's new drive to boost exports of capital goods as well as consumer merchandisc. If these machines can crack



IMPORTED MACHINE does its shaping work with sparks inside the waist-high box.

the U.S. capital goods market, they will accomplish what other Japanese machines have found impossible, except for a few special items such as plastic mjection molding and wood sanding equipment.

Spark machining, however advanced the Japax tools may be, is not a Japanese monopoly, however, and Ikegai Iron Works faces competition from within the U.S. as well as from other foreign countries.

In the U.S., the Elox Corp. of Royal Oak, Mich., has been working in the spark machining field since World War II and has already sold about 700 machines. Russia is rumored to have developed a multiple-electrode unit for planning lathe-ways, indicating a high degree of development of the art. Other machines are being developed in Britain, France, Germany, Switzerland, and Czechoslovakia.

• Sparking a Cut—In the Japax machines, one electrode becomes the cutting tool, the spark is the cutting edge, and the work piece is the opposite electrode. Cutting takes place in a solution that doesn't conduct electricity; this fluid flushes away the metal particles that are removed.

Spark machining is used for cutting or drilling, with the work piece taking the exact shape of the outside of the electrode. Regulating voltage, current and spark frequency controls the metal removal rate. A spark can generate up to 10,000C temperature at the point of contact, but so briefly that there is no distortion of the material being worked.

Any conductive metal, no matter how hard or how thick or thin, can be sparkmachined. Metal foil can be worked with the same accuracy as pieces two feet thick. The process can be used to finish intricate dies that usually must be finished by hand, because of undercuts or irregular contours that rule out conventional machining.

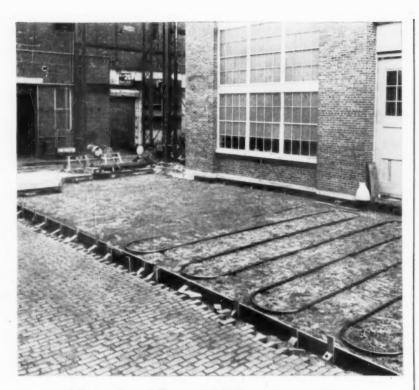
conventional machining.

• Slow Going—The smaller Japax model (\$17,500, duty paid, at U.S. ports) is rated at a metal removal of a little less than 1 lb. per hour. The newer, bigger model (\$42,500 under the same terms) is said to remove as much as 6.6 lb. per hour.

These are relatively low removal rates, but a finish equal to that of fine grinding is obtainable. Moreover, the spark equipment can run automatically for 24 hours or more with little human attention. A tolerance of .001 is readily held by the automatic controls, and parts have been held within a total tolerance of .0004 under some conditions.

If the larger Japax model can deliver as promised, industry sources say it will increase by 25 to 50 times the productivity of any electrical discharge machine now on the market. It would then be competitive with the electrochemical machining equipment that Elox has recently developed, using a combination of methods. Elox says this method offers 20 to 30 times the removal rate of its straight spark machining units. However, it is said not to work to the same tolerances as the straight spark machining units.

The Japax machines are designed around two features: (1) a spark generator that can deliver a hotter spark at a higher frequency and (2) a servo mechanism that advances the electrode evenly. END



Here's where this company manufactures a"mild winter"

Snowy, slippery driveways mean that trucks will spend substantially more time in loading zones, with still another boost to transportation costs.

Shoveling is a slow, expensive way out . . . and it does nothing to solve the icing problem. The picture shows a construction view of the most modern answer-a well-designed, well-installed snow melting system, that will assure a "mild winter" every year.

The coils you see in the right foreground are formed from Spang CW Steel pipe encased in paving material. The coils are connected to a pump in the plant. At the first hint of snow or sleet the pump circulates hot water through the pipe grid, melting the snow as it falls. With no further attention, the driveway stays clean and dry.

Industrial and commercial estab-

lishments have discovered that snow is a costly seasonal expense item. Many have discovered that a snow melting system, using Spang CW Steel pipe installed under driveways, storefront sidewalks, service station aprons, and similar areas, pays back its low first cost and nominal operating expense many times over.

All the rather specialized requirements that the pipe must have for easy installation and long service are found in Spang CW Steel Pipe. It is made in a plant that is the outgrowth of the oldest operating pipe mill in the United States. This pipe, like all our products, is produced by men who still retain an old-fashioned pride in good craftsmanship. This is the user's finest guarantee of uniform satisfaction

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TWO GATEWAY CENTER, PITTSBURGH, PA.

NEW PRODUCTS



Theftproof Car Heater

The day the worms turn may seem to be at hand in the picture above but, far from showing a creeping attack on the motor car, the picture shows a new device to make life easier for the motorist-in this case, the motorized moviegoer. The "snakes" are ducts of a new heating-cooling system for patrons of drive-in theaters.

The basic unit of the system is a jet furnace" or high velocity heat exchanger, developed by Jet-Heet, Inc., and manufactured by BTU Industries, Englewood, N. J. One furnace can heat 30 cars through ducts laid in covered trenches and emerging at the loudspeaker stands. The ducts are made of molded urethane foam.

Most previous drive-in heaters have been vulnerable to theft, besides being more expensive to operate than the Jet-Heet unit. Each furnace costs \$65 and will heat 30 cars for 2¢ a night.

NEW PRODUCTS BRIEFS

A remote-control, automatic hoist developed for the building construction industry will raise or lower loads up to 2,500 lb. at a rate of 160 ft. per minute. It can be operated by push-buttons at any and all levels of the structure. Manufacturer: Buck Equipment Corp., Cincinnati. Cost: \$5,500, plus extras,

An outside rear view mirror that melts away ice and snow is now available for trucks and cars. It will de-ice at zero temperatures in three minutes. The heating element is an electrically conductive coating fired on the back of the glass panel, powered by the vehicle's battery. Marketer: Spartan Automotive Co., Jackson, Mich: Cost: \$12 up.



Coal scores with Notre Dame

University power plant burns coal for modern steam generation

Enrollment growth and building expansion had put a strain on the power plant at the University of Notre Dame, South Bend, Ind. After careful study—by the consulting firm of Albert Kahn Associated Architects and Engineers, of Detroit—a decision was made to modernize steam facilities and add power generating equipment. Two new coal-fired boilers, a turbo-generator and auxiliary equipment were installed.

Maximum efficiency is achieved through automatic combustion control and complete instrumentation. Today steam is generated economically. Another noteworthy result of these innovations has been the cleanliness of operation . . . making Notre Dame's power plant a model of good housekeeping.

Consult an engineering firm

If you are remodeling or building new heating or power facilities, it will pay you to consult a qualified engineering firm. Such concerns—familiar with the latest in fuel costs and equipment—can effect great savings for you in the efficiency and economy of coal.

Coal is lowest-cost fuel

Today, when the annual cost of fuel often equals the original cost of the boilers, you should know that bituminous coal is the

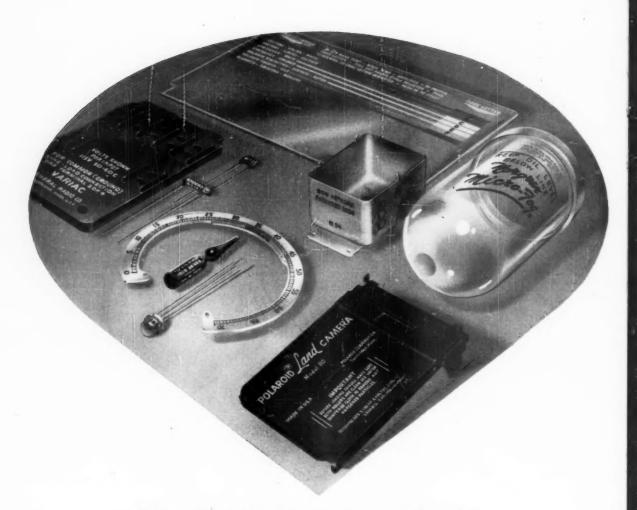
BITUMINOUS COAL INSTITUTE

Dept. BW-11A, Southern Building, Washington 5, D. C.

lowest-cost fuel in most industrial areas. And modern coalburning equipment gives you 15% to 50% more steam per dollar, while automatic operation trims labor costs and eliminates smoke problems. What's more, tremendous coal reserves and mechanized mining procedures assure you a constantly plentiful supply of coal at stable prices.

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Title	_	
Title		



You know how to <u>make</u> it — we'll show you how to <u>mark</u> it

When a new product has to be marked — or the imprint on a present one improved — how do you solve the problem? Perhaps you've tried building your own marking equipment, and later found the results didn't justify the investment in engineering time and money. Possibly existing equipment was modified to do the job, or a "quick bargain" machine was bought — and the price paid was poor marking quality, inflexibility, or production delays because of a slow process.

Every one of these pitfalls can be avoided by a single step: call in a Markem field engineer at the start. He'll study what you have to mark, ask a lot of questions about how many and how fast, what handling your product gets, how often the imprint must be changed, whether you want marking to be a separate operation or right in your line. Then, after thorough study by Markem, he can tell you exactly what Markem machine, type and specialty ink

is best for your job, how fast they will mark your products and how much it will cost.

The machine, most likely, will be one from more than 40 standard, basic Markem groups. After spending nearly 50 years building marking equipment and nothing else, Markem has machines and inks to identify or decorate almost any size, shape and material you can name — and new equipment is constantly being developed.

The advantages to you can all be summed up this way: why spend your valuable time, money and talent trying to lick a new marking problem — when Markem has probably already solved it, or one just like it, for someone else? For marking parts or complete products . . . containers and packages . . . tapes, labels, tags and scores of items, the right marking method — with Markem equipment — will provide the quality and economy you need. Write Markem Machine Co., Keene 33, N.H.

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In Business Abroad

Orders From U.S. Appliance Dealers Swamp Japan's Electronics Industry

Japan's expanding electronics industry is booming with U.S. business. To fill Christmas orders placed by appliance dealers from New York to San Francisco, Japanese producers of midget transistor radios have been airlifting an average of 2,500 a week to the U.S. since early November—plus regular shipments by sea.

A fortnight ago, to speed up delivery, the Japanese chartered a plane to fly nothing but transistor radios.

Meanwhile, Japan is developing fast into a major supplier of vacuum tubes to the U.S. So far, American electronics companies have ordered a reported 20-million tubes from Hitachi, Toshiba Electric, and Shin-Nippon Electric. Beyond that, Sanyo Electric Co. reportedly has contracts to supply 500,000 radio receiving sets to Canada, the U.S., West Germany, and Mexico.

New British Airline Seeks to Offer Commonwealth Flights at 50% Rate Cut

Eagle Airways, Ltd., an independent British line, has caused a stir in London aviation circles. Provided it gets approval from Britain's all-powerful Air Transport Advisory Council, Eagle will start 11 regularly scheduled flight services between London and Commonwealth countries next March—and slice fares by 50%.

Attempting to forestall objections from competing lines—chiefly foreign companies and British Overseas Airways Corp.—Eagle proposes initially to limit its new flights to holders of British passports. Services would be below tourist class standards; passengers would be able either to buy meals and drinks aboard or bring their own.

To start off, Eagle aims to use Douglas DC-7C aircraft, then switch to Britannias and Comets when business justifies it. The new routes would link London with Africa, the Mediterranean, and the British West Indies,

Argentina Enlists U.S. Cash and Knowhow For a Massive New Petrochemicals Complex

At Argentina's invitation, Fish International Corp.—wholly owned subsidiary of Houston's Fish Engineering Corp.—is laying plans to build a \$56-million petrochemicals complex at San Lorenzo, a deepwater port on the Rio Plata up-river from Buenos Aires. The project will be financed one-third each by Fish, Witco Chemical Co, of New York, and Argentine national interests.

At the outset, the new plant figures to save Argentina about \$30-million annually in foreign exchange; ultimate annual production is projected at about \$45-million.

Part of a larger development, it's able to draw its oil and gas supplies from fields as far distant as the Bolivian border—via a \$180-million pipeline scheduled for completion next year.

Consisting of 1,500 miles of gas line and 950 miles of products line, the pipeline is a joint venture of Sargo S. A., Obras Oleoductos y Gasoductos Argentina, Fish, and North American Utilities Corp. of New York.

Canada Presses British West Indies To Stay Within Dominion's Trade Orbit

To offset the growing interest of the U.S. in the Caribbean (nickel and petroleum in Cuba, bauxite in Jamaica), Canada is going all out to keep the new 10-island Federation of the British West Indies in its commercial orbit:

 The Dept. of Trade & Commerce has set up a new division, Canadian Trade Fairs in the West Indies.
 It's to handle Ottawa's first trade fairs on Januaica and Trinidad, early next year.

• The Canadian Chamber of Commerce has organized a tour of 40 leading businessmen to spend a fortnight drumming up good will and business in the new federation. Led by the president of the Toronto-Dominion Bank, tour members include the president of the Canadian Manufacturers Assn., exporters of textiles, farm machinery, and whiskey to the West Indies, and importers of West Indian raw materials such as sugar.

Most of Britain's Nationalized Steel Has Been Returned to Private Ownership

Out of 71 private British steel companies nationalized in the early 1950s under the Labor government, 49 have been returned to private ownership. Those 49, according to the British Iron & Steel Holding & Realization Agency's annual report, now account for about 85% of total British steel production.

In 1953, at the height of nationalization, the agency took over \$706.4-million worth of securities; now only about \$117-million remains in its hands. And only two companies still nationalized—Richard Thomas & Baldwins, and Stavelex Iron & Chemical—account for 66% of the agency's holdings.

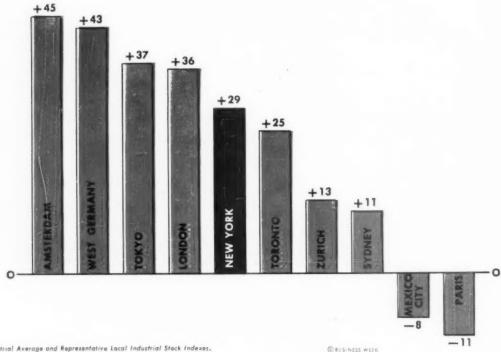
Business Abroad Briefs

St. Regis Paper Co. bought 50% of three South African container companies. The three—Atlas Box Co., Ltd., National Containers, Ltd., and Transvaal Box Mfg.—reported combined sales in 1957 of \$5-million.

International Finance Corp. will invest \$1.2-million in Cia Mineira de Cimento Portland S.A. (Cominci), a Brazilian company. Cominci will build a 200,000 metric tons a year cement plant in Minas Gerais State.

The Great Bull Market—It's Spread Around the World

Percent Change in 1958



Data Dow Jones Industrial Average and Representative Local Industrial Stock Indexes.

Dancing to New York's Tune

The headlong rush of New York's stock market to record highs (page 16) lent a cheery Christmas note to stock trading all over the world this week. As the chart above shows, New York has not had a corner on the bull market. From London to Tokyo, record numbers of investors have been bidding up the prices of stocks in what is a worldwide trend toward equity investments.

Some markets have advanced further than Wall Street, but its movements set the tone for trading around the world. This was the case a year ago, when U.S. stock prices were declining, and most other markets responded with much more drastic downturns. Now, the foreign markets have moved up faster although their economies have not yet shown the same kind of recovery as the U.S.

The only exceptions are Mexico and France, where local political uncertainties have offset the pattern. Even in these two markets observers predict that upturns are in the making.

New York does more than set a price pattern. What's more important, Wall Street's campaign to broaden the base of common stock ownership is leading to similar efforts abroad.

· Middle Classes-There has always

been some participation by small investors in New York, while in most foreign countries buving stock has generally been limited to a small number of rich investors. But this year, much of the buying abroad has been done by the middle classes, whose awareness of inflation has been growing along with their incomes.

The principal vehicle for their stock investments is the mutual fund, largely modeled on U.S. examples. For the first time, these funds have become a major force in foreign markets, providing much of the price buoyancy. The growing acceptance of mutual funds, and their campaigns to attract small investors, are likely to mean further rises in most of the world's stock mar-

Here's how individual markets have fared in 1958 and their prospects for next year:

London. Stocks have been rising steadily since February, and hit an alltime peak this month. The bull market has not been slowed down by the slackening in economic activity. In fact, the easy money policy now being followed by the Bank of England has helped stock prices.

Much of the demand for stocks in

London comes from institutional investors-pension funds and insurance companies-which have been switching from bonds. These institutions have not been buying securities in the U.S., preferring the higher yields-averaging over 5%-obtainable in London (BW-Nov. 15'58,p130). But public participation is growing rapidly, mainly via the "unit trusts-mutual funds-which last spring started an explosive expansion. That is one reason why London analysts think stock prices will go higher in 1959. In addition, observers say that as business picks up and money tightens again, the shift from bonds into stocks should accelerate.

Paris. French investors, dismayed by having to change republics rather than cabinets, failed to bid up stock prices in 1958. But Paris brokers say that once de Gaulle's economic policy is settled, the market should start to climb, although there's no agreement on which policies would most benefit stockhold-

West Germany. After a steep rise in domestic stock prices, German bankswhich account for most of the stock trading-and investment houses feel that the situation is vulnerable.

Investment-mutual-funds are buy-

Publisher's Note—This is an advertisement, but one of such unusual character we are glad to be a sponsor of it.

Persuaders in the Public Interest

The story of a little-known band of men and women who created a Hundred Million Dollar Non-Profit Trust that works for the public good

By JASON WEEMS



Last summer, a father, driving his vacationing family through one of our great national forests, pulled up for the view where a

mountain road looked down on a deep, wooded canyon.

Filling his pipe, he flared a kitchen match with his thumbnail, in the Western manner.

"Hey, Pop," cried his eight-yearold son, "don't throw that match out the window, break it. You know what Smokey the Bear says."

Smokey has been urging people to take such precautions against starting forest fires for 16 years. You've probably seen his messages on posters, on TV, or in print. Or heard them on the radio.

Smokey, who now lives in the Washington, D. C., zoo, was a reallife bear cub. A forest ranger found him wandering in the smoke of a forest fire which had consumed his mother. Advertising men dressed him up in print as a forest ranger and made him the greatest fire fighter of them all.

As a result of his efforts, the U.S. Forest Service estimates that, since 1942, 600,000 forest fires did not start; 260 million acres of timber did not burn; and nearly 10 billion dollars of damage was not done!

Who Made Smokey a Hero Fire Fighter?

Smokey got his start in the firefighting business in 1942 when the U.S. Forest Service called for help from a unique business organization called The Advertising Council.

You've probably never heard of The Advertising Council, but it is unlikely that a day passes in which you are not exposed to the persuasive messages, prepared and disseminated under its auspices, on the air or in print. This is a good thing for you, and for your country.

It all started when an advertising man had lunch with a Princeton professor and three officers of the Rockefeller Foundation in New York. This was in the spring of 1941.

The Adman Stuck His Neck Out

The professor was doing research in communications under a Rockefeller grant, so the lunch table talk naturally turned to the art, or science, of communication. That was when the adman stuck his neck out.

He said all foundations were making two mistakes in policy. First, they spent most of their money on the *increase* of knowledge and very little on the distribution of it. Sec-

ond, when they did spend money on the distribution of knowledge, they used old-fashioned horse-and-buggy methods, and ignored the modern high-speed effectiveness of motion pictures, broadcasting, and advertising.

Seeing a responsive gleam in the eyes of the late, great Dr. Alan Gregg, world-wide student of medical problems for the Rockefeller Foundation, the advertising man went on to elaborate his idea in terms of what advertising could do to spread new medical knowledge among all the people.

Persuasion for the Public Welfare

His convictions, widely shared by many advertising men at that time, 'boiled down to this:

- 1. American advertising facilities and techniques had become the most effective means for the communication of new knowledge, and for persuasion to use it, which the world had ever seen.
- 2. This means of communication could be used just as effectively in the public interest as it was being used in the private interest.
- 3. Advertising being a communication facility developed by business, business itself might well consider making it available for public welfare projects and organizations.

Out of these convictions The Advertising Council was born in Novem-TURN PAGE

ABOUT THE AUTHOR—Jason Weems is the pen name for one of America's most versatile men. He has been successful as a Bible solesman, a printer, an advertising writer, a book and magazine publisher, a government official, the head of a social science research laboratory and consultant to a large Foundation. He is the author of several books.

ber, 1941. Its initial organizers and financial supporters were the six official organizations of national advertisers, of magazine, newspaper, radio, and outdoor media owners, and of advertising agencies.

It had barely been organized when it was called upon to play a greater role than any of its founders had envisioned.

The Stab in the Back

On December 7, 1941, the Japanese struck Pearl Harbor. A country at war found itself faced with vast new problems which could be met only with the cooperation of all the people.

Scrap metals, rubber and paper were needed in vast quantities, and they had to be gathered up from every farmyard and city cellar.

Fats and wheat had to be saved to send to our allies.

War Bonds had to be sold.

Merchant seamen, WACS, WAVES, and nurses had to be recruited.

Victory gardens had to be planted. Altogether, before the war was over, civilians had to be persuaded to do more than one hundred things like this.

Great Britain, faced with the same problems, had turned to paid government advertising to help solve them. This made the government by far the biggest, and almost the only, advertiser in the country. Some felt

"42 years with chalk on my sleeve"

The story of a man who was a national hero for 42 years and never knew it!





AMERICA'S LEADERSHIP DEPENDS ON FIRST-RATE SCHOOLS

BETTER SCHOOLS—In 1958, State School Committees increased in numbers and Parent-Teachers Association membership rose, Citizen concern about our schools and what they teach is at a new high level.

this was a potential threat to freedom of the press.

America Chose a Better Way

Our government turned to the newly formed Advertising Council, which quickly became the War Advertising Council.

The Council called for volunteers. Advertising agencies supplied talented people to prepare the messages needed. Advertisers, magazines, newspapers, radio stations, and outdoor poster companies supplied advertising time and space to carry the messages to the country.

All these interests responded through the War Advertising Council. America responded to the messages.

By the end of the war, more than One Billion Dollars' worth of government messages had been published and broadcast as a contribution of American business to the war effort.

The results proved what advertising men had long believed: that advertising could as effectively inform and persuade people to act in the public interest as it had in their private interest.

Waging the Peace

When the war ended, many in the War Advertising Council thought its usefulness was over. There were more who felt that the instrument of public information, which the Council had created, was far too valuable to be reserved for war.

The government still had jobs of public information which needed doing... such as forest fire prevention, and the sale of Savings Bonds; and there was the original Council concept of broad public service such as assisting the work of the Red Cross, CARE, March of Dimes, the National Safety Council, and many others. The word "War" was dropped from the name, and The Advertising Council continued. But here it faced a new problem.

Who Decides What's in the Public Interest?

Under the imperatives of war there was no question about what projects the Council should undertake, but when it came to non-governmental organizations and non-war projects of government departments, who was to determine which ones were in the public interest?

The businessmen who were the financial supporters and operators of the Council's facilities did not feel it was in the public interest that they alone should decide such questions.

As a result, a Public Policy Committee was created. This was a group of 20 of America's most distinguished citizens with backgrounds and experience in various areas of American life. One of the first to accept an invitation to serve was Dr. Alan Gregg, who remembered the luncheon where he first heard how advertising might help solve some health problems.

On this page you'll find a list of the men and women who serve, without pay, on this Public Policy Committee. They are drawn from business, labor, education, agriculture, the religions, medicine and public affairs. They represent no one but themselves and the best interests of their country, as they see them.

When a project is presented for The Advertising Council's support, the Board of Directors first decides whether or not it can benefit from broad national advertising. If they decide it can, it goes to the Public Policy Committee which votes on whether or not it is importantly in the public interest. The Public Pol-

Public Policy Committee of The Advertising Council

CHAIRMAN PAUL G. HOFFMAN

VICE CHAIRMAN EVANS CLARK, Editorial Board, New York Times

MEMBERS

SARAH GIBSON BLANDING, President, Vassar College

Vassar College RALPH J. BUNCHE, Under Secretary, United Nations

United Nations
BENJAMIN J. BUTTENWIESER, Partner,

Kuhn, Loeb and Company
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HELEN HALL, Director, Henry Street Settlement

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A. E. LYON, Executive Secretary,
Railway Labor Executives Association

JOHN J. McCLOY, Chairman, The Chase Manhattan Bank EUGENE MEYER, Chairman, The Washington Post & Times Herald WILLIAM L. MYERS, Dean of Agriculture,

Cornell University
ELMO ROPER, Public Opinion Analyst
HOWARD A. RUSK, M.D., New York
University-Bellevue Medical Center

University-Bellevue Medical Center STANLEY RUTTENBERG, Research Director, AFL CIO

BORIS SHISHKIN, Assistant to the President, AFL-CIO

GEORGE N. SHUSTER, President, Hunter College

THOMAS J. WATSON, JR., President, International Business Machines Corp. HENRY M. WRISTON, Executive Director,

The American Assembly

HELP US KEEP THE THINGS WORTH KEEPING



HELP STRENGTHEN AMERICA'S PEACE POWER BUY U.S. SAVINGS BONDS

Ad from the current Treasury Bond campaign. Started at the outset of World War II, it is the oldest continuing campaign on the Council's docket.

icy Committee must approve the project by a three-fourths vote before the Council will tackle it.

What Kind of Projects Are Approved?

Since the War, The Advertising Council, with the approval of the Public Policy Committee, has presented numerous national problems for your information and consideration, and programs for your support and action.

There are emergency programs, such as appeals of the Red Cross for disaster funds,

There are periodic programs, such as the one called "Religion in American Life", which reminds you of the strength to be drawn from attendance at your church or synagogue. (Gallup polls have shown a steady increase in attendance at religious services since this program started.)

Other programs, such as Forest Fire Prevention, have been continuous over a period of years. One is the Stop Accidents campaign for the National Safety Council. It has helped bring the traffic toll to a new low per vehicle-miles traveled. Still another is the drive for Better Schools, which has stimulated formation of State School Committees, and increased membership in Parent-Teachers Associations. Result: citizen concern about our schools and what they teach is at a new high level.

One of the largest and oldest is the campaign in support of the U. S. Treasury for the sale of Savings Bonds. You have probably responded to both your own and your country's benefit,

Doesn't Wait to be Asked

When the Council sees a developing national need which calls for the help of better public information, it tries to get a program started.

A recent example was creating and getting support for a program of "Confidence in a Growing America" in the spring of 1958. Twenty million dollars' worth of advertising time and space told Americans why they were justified in having such confidence. This helped avert the development of a "depression" psychology. Government, economic and business leaders say it helped reverse the downswing of last spring.

More Than 100 Million Dollars a Year

Altogether, the programs of The Advertising Council get more than 100 million dollars' worth of support every year.

The support comes from American corporations, large and small, It comes from owners of magazines, newspapers, television and radio stations, outdoor and transit advertising facilities. It comes from the volunteered talent of America's leading advertising agencies.

Most of it is represented by donations of advertising time and space. But there's also cash to support the necessary staff work of the Council and some of the programs it originates.

A great deal of it results from the devoted services of a group of some 70 of America's leading corporation officers who serve the Council, without pay, as its Industries Advisory Committee.

The next time you hear from Smokey the Bear, you might like to remember the uniquely American institution that put the words in his mouth for the good of us all.

The Advertising Council demonstrates by actions, not words, the social responsibility of American business and the power of advertising in the public interest.

Even more important, it has proved that Americans will move to solve the problems of their society with intelligence, sacrifice, and courage whenever they are adequately informed of these problems and persuaded that they need solving.



Traffic fatality rate reduced 40%



Public interest in schools greatly increased



Ownership of U.S. Savings Bonds at all-time high



Church and synagogue attendance rises



Help to stop depression psychology



Annual Campaign during March drive



Promotes greater public understanding



Good Neighborhoods are our Nation's strength



Aided the attack on paralytic polio



To combat crisis in colleges



Helps 2100 United Funds and Community Chests



Register, Vote and Contribute



Religious overseas aid through three major faiths

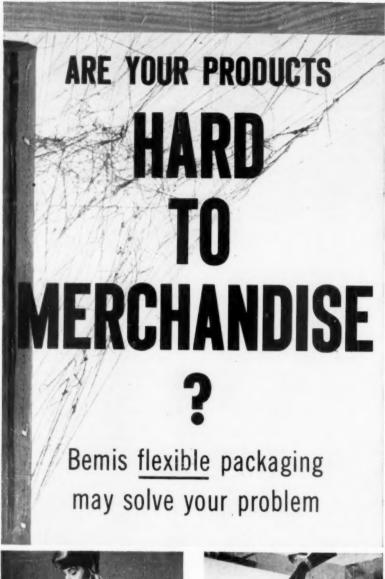


"Truth Dollars" for Radio Free



The Advertising Council . . . for public service

If you would like to know more about this work, this magazine suggests you write for a free booklet to The Advertising Council, 25 W. 45th St., New York 36, New York,





PRODUCTS SHOW OFF in a Bemis Flip-Close Polyethylene Bag and shoppers can actually feel what's inside without damaging the closure! This modern merchandising package speeds packing, makes inventory and pricing easier, rids you of pins, bands and boxes. Like a sample?



PACKAGED FOR THE SHOWROOM—mattresses in this Bemis exclusive! The Visi-Matt window bag lets you see construction, color, pattern and brand name. No need to tear the bag... mattress stays clean, fresh and saleable. Need a flexible packaging idea? Write today!

WHERE FLEXIBLE PACKAGING IDEAS ARE BORN . . .



Bemis may already be making the better package you need . . . write to: Trade Extension Dept., Bemis Bro. Bag Co., 408-D Pine Street, St. Louis 2, Missouri ing shares at an estimated rate of \$1.2-million per day, but there's a real scarcity of shares, so that the demand is bidding up prices and dropping yields—to the 3%-4% range.

Tokyo. Japanese brokers are celebrating their biggest and best year. Volume has soared to an all-time high, and the industrial stock price index, modeled on the Dow-Jones, shot up to a record 654 from 474 a year ago. Japanese mutual funds, which account for almost 15% of the trading volume on the Tokyo exchange, are limited to purchases from a list approved by the Minister of Finance, which have meant magnified rises in these issues. Yields have dropped from 7½% at the beginning of the year to under 5% now.

Amsterdam. The dominant market influence has been the heavy influx of foreign money—principally American—which has bid up the prices of such shares as Phillips, Unilever, and A. K. U. This has released Dutch funds for reinvestment in other Dutch stocks, which yield about 6%. Amsterdam brokers say that the sort of popular stock ownership that is so important in the U. S. and Japan is less significant in the Dutch market, but added that domestic buying should grow if foreign investors maintain their interest.

Zurich. Swiss share prices are now so high that they are generally beyond the reach of the ordinary investor. This is largely because the Swiss capital market has been closed to foreign borrowers by government regulation until just recently, resulting in a surplus of domestic funds which bid up stock prices—and lowered yields to about American levels. The market has now been reopened, which may somewhat dampen the future rise in stock prices, but Swiss observers see no real change from the general upward trend.

Mexico City. Mexican stock prices have declined this year, largely because it is traditional in Mexico in an election year for investors to sit tight. Now that the election is over, investors may be buving.

Australia. The big surprise here this year was the fact the stock market failed to react to low prices for Australia's chief commodity—wool. Instead, mutual fund buying moves prices even

Canada. On the Toronto and Montreal stock exchanges, Canada's two big markets, industrial stock prices have moved upwards—and yields down—with the New York market, but largely because of the severity of the recession they still remain about 15% under their all-time peak registered in 1956. Canadian brokers say there's no chance that the Canadian markets will take off on their own, principally because there's so much U.S. money involved in them.



AND EQUIPPED BY GF ...

FACT FINDING IS

Super-Filer, with its exclusive swing front, not only speeds fact finding and filing, but also creates substantial savings in floor space by handling 18% more payload per drawer than rigid front files.

GF offers—in one comprehensive package—everything needed to make offices more efficient, more pleasant . . . complete space and work flow planning . . . a complete line of job-selected business furniture . . . complete design and decorator services.

To learn all about GF furniture and services, call your local GF branch office or dealer.
The General Fireproofing Company,
Dept. B-24. Youngstown 1, Ohio.





In the Markets

Four Stock Advisers See Bright Years; Only the Zest Varies in Their Optimism

Four of the big stock advisory services-Standard & Poor's, Fitch, Moody's, and Value Line-see 1959 in

slightly different shades of rosy light.

Standard & Poor's is the most cheerful. It says the year will mark a complete recovery from the 1957-58 recession, and the start of a succession of new highs. It looks for the FRB index of industrial production to average 146 next year, for GNP to climb to \$471-billion. S&P says that "a rather fully invested position in well-chosen commons is justified" with such an outlook. But it looks for a "somewhat less spectacular rate of gain" in stock prices next year.

Fitch also says the recovery should gain further momentum. It looks for a GNP of \$475-billion, and looks for corporate profits to rise 25% above this year's levels. It thinks the stock market could leap ahead at this prospect. But it hedges its bet by saying stock prices could face "brake or break" if corporate profits don't rise as

fast.

Moody's is the least optimistic. It says the economic background is broadly favorable, but that FRB will average only 144, just a bit over 1956 and 1957. GNP, it predicts, could reach \$461-billion. Moody's frowns on the market's big rise, thinks it has probably discounted all of the favorable omens for 1959. It suggests that the public's inflation psychology will be tempered next year, and that the stock averages will fluctuate widely.

Value line thinks investors should be thinking about a market top in 1959. It says "it could come suddenly and with a big bust; or it could come as a protracted sideways movement of several years' duration." The most likely prospect is a choppy market "in which reactions are limited to 15% but come rather frequently." But Value Line does not rule out the possibility of handsome

gains in specific issues.

Prospect of New Treasury Offering Sends Governments into Dive

Government bond prices dropped this week to their lowest levels since the summer. The reason: The U.S. Treasury is expected to announce a long-term bond offering in its next \$2-billion cash financing set for mid-

January.

Support for this expectation comes from the fact that Treasury officials will confer soon with the traditional "long-term" investors—mutual savings banks, savings and loan associations, and insurance companies. Normally, these groups are consulted only when the Treasury is contemplating a bond offering.

Treasury has made it clear that it wants a debt stretch-

out "it events are propitious." So a january offering seems set. For one thing, most institutional investors have ample funds available at the start of the years. For another, bond dealers feel that the Treasury can finance cheaper now than later.

Still, some dealers warn the Treasury is in a predicament. It needs a generous coupon rate to make sure its long bond sells out. But, if it does that, it runs the risk of forcing outstanding issues to adjust their yields upward. This would tend to depress bond prices further.

Public Enthusiasm for New Issues Spurs Quick Rise for Some Stocks

A new danger signal is flashing in Wall Street: New issues of many common stocks are rising to sharp premiums after their initial offering. Such quick premiums, say market analysts, is a sign that investors are buying new issues without much thought; not since 1946, some claim, has public enthusiasm for new issues run so unbridled.

Wall Street men cite Upjohn Co. and Desilu Productions, Inc., which recently offered stock to the public for the first time. In each instance, the stock price jumped after the subscription books were closed—Upjohn rose 8.9% to \$49 per share, Desilu 32% to \$13.25. But analysts say the earning power of each company, and the dividends they'll be able to generate, aren't so firmly established that they deserve such premiums so quickly.

The Markets Briefs

Michigan may join the states liberalizing their policy on state trust funds (BW-Nov.29'58,p113), in an effort to protect investment values against the crosion of inflation. The State Employees and Municipal Employees Pension Funds, which invest around \$20-million annually, are trying to get a bill in the legislative hopper to permit funds to invest 15% of their assets in common stocks.

Investment in mutual fund shares by profit-sharing, pension, and employee benefit plans is gathering steam. Vance, Sanders & Co., sponsor of five Boston funds, reports that big block purchases—over \$25,000—of its funds' shares have climbed 40% for the first nine months, compared to the like period in 1957. It adds that most of the rise is accounted for by employee benefit plans.

Trading by insiders—corporate officers, directors, and stockholders who own more than 10% of an issue—has in general shown a more optimistic tone lately. But some observers are worried about specific stock issues in which insider selling has been hard to explain. Alfred E. Perlman, for example, unloaded more than 2,000 shares of New York Central over the past two months, while the common was going from \$18.62 to \$26. The officials of Fruehauf Trailer also have sold their shares heavily, although the stock has climbed from \$14 to \$19.50 since September.



No more lick-and-stick mailing!

"I've licked my last stamp, sopped my last envelope flap. They got me my postage meter! No more frantic 5 p.m. dashes to the postoffice for stamps, no more policing that silly old stamp box. We've gone modern, Man. We've got Metered Mail! Thank you, Boss!"

With a meter, you print postage as you need it, for any kind or class of mail—directly on the envelope, with a dated postmark, and your own small ad, if you like. You always have the right stamp on hand,

The meter seals as well as stamps your mail—most models do both simultaneously! Mailing is fast and easy. And metered mail requires less handling in the postoflice, often catches earlier mail trains and planes.

Today, even the smallest office can have a postage meter, now that there's a low-cost, desk model (the DM). One-third of its users spend less than \$1.00 a day in postage! Electric models for larger mailers. Ask the nearest PB office for a demonstration. Or send coupon for free illustrated booklet.

Postage rates are up!...

- Letters now cost you 3313 per cent more—so postage control is more important than ever!
- A meter protects postage from loss, misuse; does its own accounting.
- Postage is "dialed" for any class of mail—even parcels. And meters moisten envelope flaps for sealing!
- A postage meter requires no minimum mail volume. And anyone can easily use one—even the boss.

FREE: Handy desk or wall chart of new postal rates with parcel post map and zone finder.



Postage Meter

Made by the leading manufacturer of mailing machines... Offices in 107 cities. In Canada; Pitney-Bowes of Canada, Ltd., Dept. 367, 909 Yonge St., Toronto



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with every facet of Service . . .

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PERSONAL BUSINESS

BUSINESS WEEK DEC. 27, 1958



If you plan to stop off for some sun-splashing along the French Riviera this coming season, now's the time to consult your travel agent. Hotels from St. Tropez to Menton report heavy advance bookings—still, with a little footwork now, your agent can get you placed.

It used to be that winter was the time to do the Riviera, but the weather cycle has changed. Now the "early" season runs from around late March to mid-May—things are quiet, the weather crisp to balmy, and along most of the Cote you see just a scattering of people and many shuttered villas.

For a springtime rest, this is fine.

The pick-up in activity starts about May 15 when the Cannes Film Festival opens, and by June the whole coast is humming.

You'll find that no two places along the coast are exactly alike—each has a special flavor, so the spot you pick is a matter of personal taste. But there are two things to remember about the Riviera. Hotels are typically European, long on service but short on modernization. And secondly, the Riviera beach is a far cry from what you find in the U.S.—it's usually narrow, pebbly, and rocky in many places.

What you do find, of course, makes up for these physical limitations—one of Europe's best known playgrounds, a Continental social atmosphere, sports (including golf and tennis), night life, and wonderful weather. You can find pretty much what you want, from gaiety to a quiet retreat.

Here are some of the better known spas: St. Tropez. The Brigitte Bardot-Francoise Sagan younger crowd sets the pace here—day and night. There are few big hotels, mostly private villas. Lei Mouscardins nearby is usually rated the best seafood restaurant along the coast. Much of the St. Tropez atmosphere spills over to St. Maxime and St. Raphael.

- Cannes. Here you'll find the "smart set," and a rash of good hotels—Carlton, Martinez, Reserve Miramar, to name three. Cannes has the best sandy beach on the coast, but it's crowded from June on. To get around this, you might rent a car and try a long stretch of lonesome beach west of the town. A few miles from Cannes are two 18-hole golf courses, at the Cannes Country Club, and the Golf Club of Cannes. Guests at the larger hotels usually have entree to the clubs.
- Antibes. The area includes Juan-Les-Pins and Cap d'Antibes, the latter one of the more elegant spots along the coast. The Hotel du Cap d'Antibes is where the international crowd congregates. Hotel guests have access to famous Eden Roc, a chic swimming pool, restaurant, and bar La Bonne Auberge is an excellent restaurant.
- Nice. This is the only city (250,000) on the Riviera. There's a variety of restaurants and night clubs, and two casinos. An interesting off-beat dining place, on the smallish side, is da Boutau.
- Monte Carlo. Besides the much written about Prince and Princess there's the world's best-known gambling casino, of course. But frankly, you may be just a bit let down by the casino—it doesn't quite live up to its reputation. Most people prefer to visit Monte Carlo and live elsewhere.
- Menton. This eastern anchor of the Riviera is a good location if you want to divide your time between the French and Italian shores.

If you're a seaman, there's another way to do the coast. Instead of being hotel-bound, some Americans are chartering boats at Riviera ports, living aboard, and skimming the coast at their leisure. For example, you can charter a six-passenger ketch with auxiliary diesel, complete with crew

PERSONAL BUSINESS (Continued)

BUSINESS WEEK DEC. 27, 1958 and cook, for around \$1,000 to \$1,200 a month, plus extras. This should be arranged before you cross over—probably in New York.

Rates are modest, even at the best establishments. For instance, the daily rate for a double room facing the sea at Hotel du Cap (at Cap d' Antibes) is just \$28 plus 15% service. That does not include meals.

As to tipping, the Riviera will pretty much duplicate your experience elsewhere in Europe. Here it's still true that lavish tips don't necessarily bring the best service. A suggestion is to give the hotel concierge 5,000 francs (about \$10) upon arrival, and say you expect good service—and if he gives it, add 5,000 more when you leave.

And finally, a fashion note if you haven't been to south Europe lately: Most Europeans still associate a white dinner jacket with a headwaiter.

All that costly glass used in 1959 cars is a major reason for National Automobile Underwriters' newest rate boost, effective in 27 states. The rates go up \$3 a year for full comprehensive insurance, covering losses from fire, theft, storm, and other non-collision causes.

Meantime, the biggest expense item in auto insurance—liability—continues its upward trend in most states. For example, new liability rate increases are pending or have been granted in Arkansas (22%), Connecticut (19%), and Florida (26%). There are some exceptions to this trend—Iowa rates, for instance, are down 9%.

Price tags on new houses will also be up. Increases in costs of labor, land, and materials will send the sales prices of new homes to record highs in 1959, according to the National Assn. of Home Builders. The prospect: an average 5% jump.

Looking for a way to aid the cause of medicine? One suggestion: Donate to the National Fund for Medical Education, which has a gift-match ing program. Funds made available by the Ford Foundation match your gift, for the benefit of medical schools (2 West 46th St., New York 36).

Social security reminder: Payroll deductions go up from 2¼% to 2½%, and the taxable income base jumps from \$4,200 to \$4,800 a year (BW—Aug. 30'58,p71). You'll pay \$120 in social security taxes in 1959, instead of \$94.50.

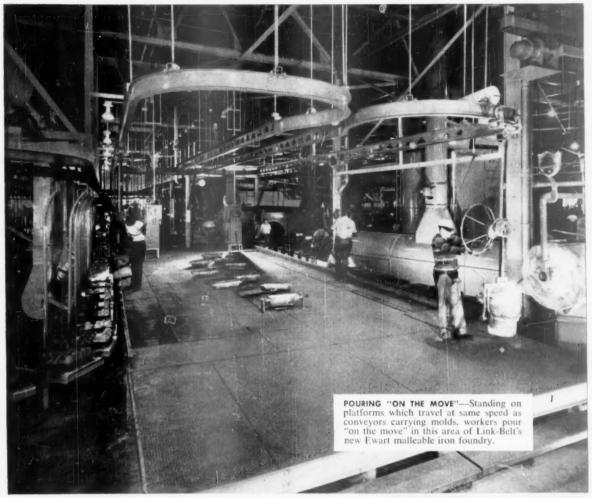
Cheers department:.

A fifth or two of superior Scotch might be the New Year's gift idea you've been looking for. Four that are outstanding are Ambassador 25-year-old, \$17.50 a fifth; Ballantine 30-year, \$15; Chivas Royal Salute 21-year, \$25; Old Smuggler 18-year, \$12.

And here's an "international" punch with a festive flair: Place a small can of pineapple chunks and three dozen mint leaves in a two-quart stainless steel bowl filled with water. Freeze, unmold and place in punch bowl. Pour in 2 fifths Pimm's Cup, 1 fifth vodka, and 4 tbsp. creme de menthe. Serves 18.

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Foundrymen's foundry



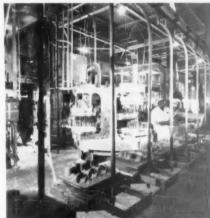
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Foundries are just one of many areas where Link-Belt serves industry. For others, see our 60-page directory, "Link-Belt at Work." Write LINK-BELT COMPANY, Dept. AV, Prudential Plaza, Chicago 1, Ill.



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Steel production... why it takes a specialist to make higher quality steels

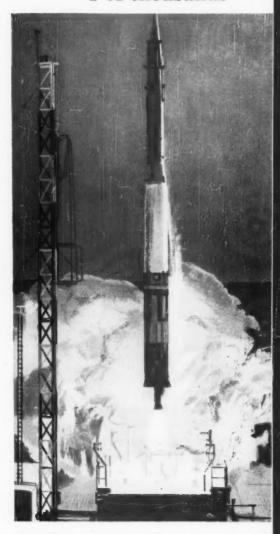
All steelmaking is the art of controlling basic physical and chemical changes, from the molten metal to the finished steel product. But when alloying elements are added to create steels for special purposes, these otherwise ordinary changes become exceedingly complex. Every phase of production influences the character of the finished product.

It takes exacting skills developed by many individual workers to apply the controls necessary in making these finer, special purpose steels. As the nation's leading producer of these types of steels, Crucible has acquired just those skills. And these are applied, not only in producing the higher-alloy-content steels, but also in making the more ordinary types of steels. It is these non-automatic aspects of steelmaking that set Crucible apart - that result in a degree of product uniformity that is unsurpassed in the steelmaking

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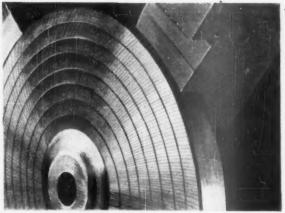
One more fact helps explain the special nature of Crucible's steel production. At any Crucible mill, such a variety of items are in production at any given moment that every man involved - be he metallurgist, supervisor, foreman or worker - must know the exact specifications and exercise control accordingly. Thus Crucible's production force is both custom-trained and customer-oriented.

If you would like to discuss your metals requirements with a specialist, why not contact one of Crucible's 27 branch offices and warehouses? For the address of the one nearest you, or for data on any Crucible product, write Crucible Steel Company of America, Dept. ML05, The Oliver Building, Mellon Square, Pittsburgh 22, Pa.



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MANAGEMENT

ORGANIZER of the group called Executive Committee is Robert Nourse.

Presidents Huddle to

The heads of eight small Milwaukee companies share their woes in a committee where they behave like one staff.

The president of a company occupies an often lonely eminence. A Milwaukee executive describes his predicament this way: "His wife rarely understands his business problems; he can divulge only so much information to business associates, and he can tell subordinates only certain things." The isolation can be acute, whether the outfit is large or small.

This Milwaukee man has found a way to ease the pains of presidency and share some of his troubles with a sympathetic audience. Together with seven fellow heads of small companies in the community, he belongs to a

group known, simply enough, as the Executive Committee, designed for the exchange of ideas and solutions to common problems. The committee was devised in October, 1957, by 53-year-old Robert Nourse, formerly an officer of a small company himself and now in the business of what might be described as "corporate handholding" in Milwaukee. He sits as the group's permanent chairman and "personal confidant" to each of the men.

The companies represented vary widely in products, but they do share a rough similarity in size (annual sales: \$1-million to \$5-million), in age of executives (late +0s), and in problems. All the members are company presidents except two, who are vice-presidents and chief operating officers (in both these cases, the president is the man's father and serves mainly in an advisory capacity).



EXCURSION during monthly meeting takes group to A. O. Smith Corp., where the members jot down notes while listening to advice on how to sell their products to big companies.

PLANT TOUR begins day's agenda. Here the presidents inspect facilities of E. R. Wagner Mfg. Co., which turns out carpet sweepers and hardware. Members take turns as hosts.



Escape the Chill at the Top

· Day of Learning-At a typical recent monthly meeting of Nourse's Executive Committee (pictures), the program began at 8 a.m. in the plant of the E. R. Wagner Mfg. Co., a maker of carpet sweepers and hardware. Members take turns playing host, and in this case it was Robert S. Wagner, the company's president and treasurer. First came the customary tour of the host's facilities. The companies are so diverse that one member's manufacturing techniques seldom apply directly to another's operations. "But." says Ed Brumder, head of North American Press, Milwaukee printing house, "we always learn something-maybe it's just in materials handling-just from seeing how the other fellow does it."

Returning to Wagner's office, the group took up discussion of topics on an agenda arranged in advance by Nourse-plus some tossed in on their

own. This time, the list included how a president of a "family" business should arrange his estate, whether small companies should put their policies formally into writing, and how future subjects for discussion should be chosen.

In the palaver about estates, Wagner pointed out that since he had no sons, he faced a problem of who was to succeed him. One of his colleagues on the committee – Charles Mellowes, vice-president and chief operating officer of Charter Wire, Inc., a producer of lock washers—added that, in his case, he had retained a management consultant to run the company in the event of his death until his son, now in college, is ready to take over. The talk also ran to such solutions as special stock setups, voting trusts, corporate life insurance, and retirement funds.

• Selling to Smith-At noon, the main feature of the committee's meeting be-

gan. The group moved to the plant of A. O. Smith Corp., big manufacturer of auto chassis frames, welded pipe, and hot water heaters (1958 sales: \$252-million), where Nourse had arranged for management to give some advice on how the small companies could sell more effectively to larger outfits.

After lunch, the visiting brass settled down comfortably in the office of F. S. (Shep) Cornell, Smith's executive vice-president. The session started with a briefing on Smith's general policies in dealing with vendors, by Milton Morgan, vice-president for procurement, and Waldo Higgins, chief engineer. Then Nourse, who functions as a kind of catalyst in the meetings, switched to question-and-answer tactics:

"How does a company not on your 'preferred list' get in?" he asked.

"Go right in and ask to see the buyer who handles your line," Morgan re-



NEW SWEEPER is displayed by Pres. Robert S. Wagner of Wagner Mfg, to some of his committee colleagues. Each of the members has a different specialty, and the eight pool their talents to solve each others' problems.



ADVICE from A. O. Smith's Executive V-P F. S. Cornell is that top officers accompany their salesmen on calls to big companies, in order to get acquainted.



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plied. "Learn our requirements, and let us know who you are," he continued, hinting that small companies sometimes give up too early.

Cornell urged the presidents to do more selling themselves. He advised using an excuse such as a new product or a new system of distribution to gain entree to a buyer's plant and meet its management. "Go along with your sales manager and see the buyer," he counseled. "Then work your way up by seeing his boss, and so on until you've made yourself known to the company."

• Keep Clean—Several of the visitors asked A. O. Smith's suggestions for dealing with a price squeeze. They were somewhat surprised at the answer—that Smith occasionally passes up orders, including one this year for \$18-million, rather than cut its bid below cost just for the sake of the business. "Sometimes you just have to let them go and hope the winner defaults if you know his bid was low," said Cornell. "You often get the business back when that happens, and it's harder to pry away from you next time."

"Once you crack the circle, you'll be pretty hard to unseat if you do a good job of producing and delivering and keep your nose clean," Cornell concluded.

• Roster—Besides Wagner, Brumder, and Mellowes, the committee includes Carl Rowe, president of Milwaukee Valve Co. (a subsidiary of Controls Co. of America and the only publicly held concern in the group): Erwin F. Rauser, Jr., of Shorewood Mills, an underwear maker, Thomas H. Tanner, vice-president of Zenith Foundry Co.; Ken Findley, of F. G. Findley Co., adhesive producer; and John Kopmeier, of Wisconsin Ice & Coal Co.

"Each member has more ability and knowledge in some fields than others," says Nourse. "They accept responsibility for sharing this ability, and conversely each member accepts the fact that there are areas in which, he can be helped." In addition, the commutite has won prestige in the community, and Nourse says this "helps to open doors that aren't open to individuals," such as those at A. O. Smith, for example.

• Stimulating Talk—Nourse's principal problem in making the group effective was to persuade the presidents really to let their hair down. "From attending management seminars," he said, "I knew the men warmed up more in repeat sessions, and more useful information was brought out when they got to know each other better." That's the reason for meetings every month or six weeks.

Nourse collects \$175 per meeting from each member for his services preparing an agenda, engaging a speaker, recording and distributing minutes, and conducting the meeting. Between FAMOUS FALLACIES about industrial advertising We don't see any results from our advertising



John L. Gillis replies to this one...

According to Mr. John L. Gillis, vice-president of marketing, Monsanto Chemical Company: "Industrial advertising produces results when it puts into people's minds ideas which create a favorable attitude for salesmen to capitalize upon."

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The speakers-all of whom so far have donated their services-have included management consultants, a bank president, lawyers, and various specialists. A. S. Puelicher, president of Milwau-kee's Marshall & Ilsley Bank, talked to the group on how to finance expansion, for instance. Henry S. Lauterbach, president and chairman of Sta-Rite Products, Inc., Delavan, Wis., discussed the management team. Another meeting, with the member's wives in attendance, took up the problems of the executive family.

MANAGEMENT BRIEFS

Tennessee Gas Transmission Co., a Houston-based pipeline outfit, has realigned its major activities to allow for better control of the sprawling \$300million-plus business. Three new subsidiaries will look after the company's pipeline system, oil and gas exploration, and petroleum product manufacturing and marketing. Each subsidiary is headed by a president, but Gardiner Symonds, Tennessee Gas head since its beginning in 1943, is chief executive of the new subsidiaries with the title in each of chairman of the Operating Policy Committee.

Recent board changes: Henri Sadacea. chairman of Nomo Lites, and five other Noma directors, to the board of American Screw Co., which Noma bought control of after a fierce battle with Textron (BW-Dec.13'58,p53). ..

Alfons Landa, president of Penn-Texas Corp., to the board of Fairbanks Morse & Co., 77% owned by P-T, as replacement for former P-T head Leapold Silberstein.

Frederick W. Richmond, private investor and consultant for sick companies, to the board of Landers, Frary & Clark, after he and his associates picked up about 20% of the Connecticut appliance maker's outstanding stock.

H. K. Porter Co., Inc., which recently merged with Thermoid Co., rubber products maker in which it had a half interest, now has consolidated Thermoid with its Quaker Rubber Div. to form a new Thermoid Div.

Plant modernization has paid handsome dividends to A. M. Bvers Co. The country's largest producer of wrought iron increased its earnings 43% for the fiscal year ended Sept. 30 over the previous year-even though sales were down 20% (\$23.5-million, from \$29.7. million). New production equipment was the reason, according to Bvers offi-

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Preparing to Fight the Economic War

"In America," writes the novelist James Baldwin, "life seems to move faster than anywhere else on the globe, and each generation is promised more than it will get."

A sense of this paradox emerges from this issue's special report (page 36) in which **Business Week** editors attempt to define the opportunities and problems that confront the nation as its economy moves up toward the half-trillion-dollar mark.

So fast and so dramatically does history move in this day of economic revolutions, political upheavals, scientific miracles, and breakouts from the earth into outer space that there is a temptation almost annually to proclaim the death of old eras, the birth of new ones. Increasingly, though, Americans have come to understand that wonderful new eras will be neither wholly wonderful nor wholly new: The future seems bound to produce fresh disappointments as well as fresh wonders.

But, after all the qualifications have been made, the conviction will not down that the nation is entering a new phase of its history. The "postwar period," in which economic growth was powerfully stimulated by the drive to catch up for the years of depression and war-created shortages, has ended. From now on, if the economy is to grow at its past rate, it will have to be propelled by new forces.

To some, these new forces for growth seem to be lacking—and, as they see it, the nation will have to learn to settle down and live with its "affluence." To others, the forces for growth appear likely to originate not with private business and consumers, but with government—and some fear that the new phase will mark the close of the "postwar," the start of the "prewar" period.

Rather than being a prewar period, however, we think that there are strong grounds for calling the new phase "economic war." The ghastly, almost unimaginable horrors of major war fought with weapons now available have meant a shift of conflict from the chiefly military to the chiefly economic area. There we are confronted with a series of challenges: to support the economic growth of the world's poor countries; to counter the commoditydumping, price-rigging tactics of the Communists; to prove that a free society can outdo a controlled society not only in total production but also in allocating resources to critical areas such as education, science, technology, urban rehabilitation, and resource conservation. There is the agonizingly difficult part of our challenge: to do the job that must be done without destroying the freedoms that the West struggled for centuries to create and preserve.

But preserving basic freedoms means that we cannot be rigid or paralyzed about preserving the past institutions or techniques by which we achieved our past successes. If, for instance, reliance on the traditional means of combatting inflation means that we can curb it only by simultaneously curbing economic growth, then we must devise new and better means of managing our economy. If our enemies are clever and relentless in disrupting our commerce or binding underdeveloped countries to them, we must work out new measures of economic defense and offense. We must be prepared, in short, to be as inventive in building and adapting our political and social institutions as we have been in building rockets and satellites.

Strong Lead for NATO

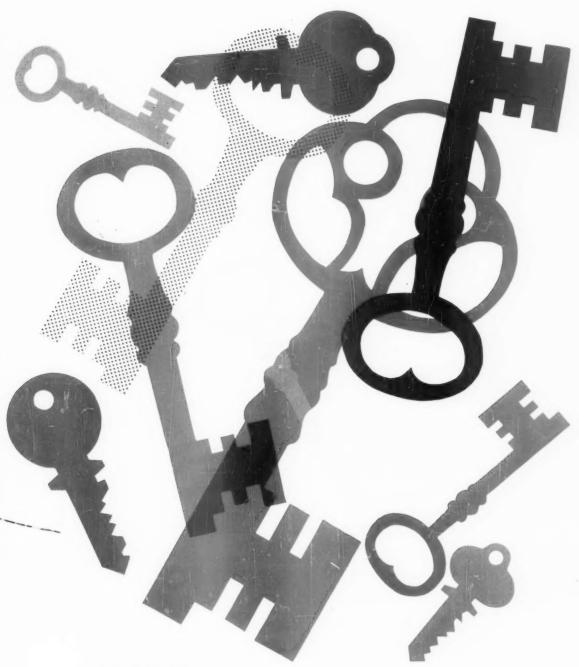
The North Atlantic Treaty Organization, despite serious internal strains, has once more demonstrated its basic unity of purpose. In dealing with the Soviet threat to Berlin, the NATO Council has thrown its weight behind the U.S. policy of not giving an inch to Soviet pressure.

NATO's unity on Berlin can be jointly credited—paradoxical as it may sound—to Soviet Premier Khrushchev and Secy. of State Dulles. The Soviet Premier clearly has overplayed his hand, as Stalin sometimes did. His bombastic Berlin threats had stiffened the backs of most Europeans even before the NATO Council met in Paris last week. Then, Secretary Dulles showed what strong U. S. leadership can do in consolidating Western unity.

At the NATO meeting, by all accounts, Dulles turned in one of his most impressive performances. Backed up by corridor talk from his aides, Dulles kept hammering home one point: No matter what its allies do or say, no matter how tough the Russians talk over the next six months, the U.S. intends to stay in Berlin. "This time," said one NATO minister, "we got the feeling you Americans know exactly what you want."

In taking this firm position, Dulles was doing more than calling Khrushchev's hand in Berlin. He was getting the members of NATO to subordinate their own differences on other problems to the overriding issue of European security.

No quick resolution can be expected for these internal problems. Especially intractable are British-French differences over the proposed Free Trade Area and U.S.-French differences over the bigger NATO role that Gen. de Gaulle is demanding for France. Both are a manifestation not of weakness among our major European allies, but of growing strength and independence. But traditional rivalries that could hurt NATO also are involved. By giving a strong lead on the critical Berlin issue, the U.S. not only has called Moscow's hand but has brought Western Europe back to a better sense of reality.



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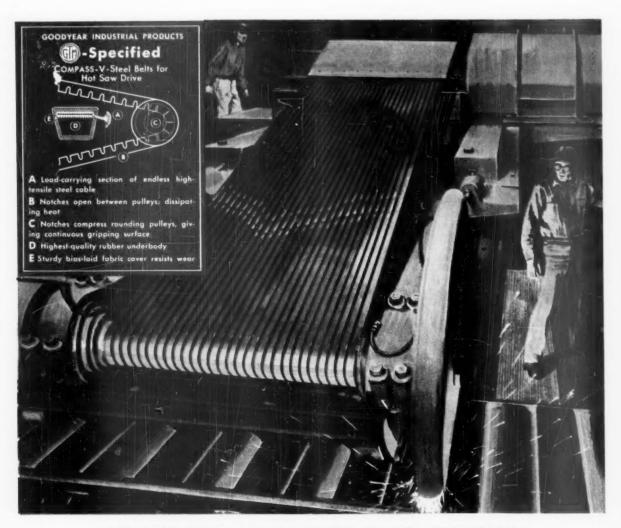
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HOW TO PUT NEW TEETH IN AN OLD SAW

A speed-up in production posed a problem at this Western steel mill. The biggest saw in the place just couldn't handle the 8-inch steel rounds that had to be chewed through—red hot.

It would be expensive to re-power the saw. For horse-power would have to be increased by at least 100. And to handle this extra power, costly new sheaves would be necessary. Was there any way to avoid this heavy expense? Management asked the G.T.M.—Goodyear Technical Man.

He had the cost-cutting answer: Compass-V-Steel Belts with the Green Seal. A matched set of just 28 of these dimensionally stable high-capacity belts easily handles a job that normally ealls for 42 belts. No sacrifice in belt-

life – no costly change in sheaves, either. Result: the user saved \$500 at once – will continue to save at every belt replacement.

If you have a grueling service requirement like this one, the G.T.M. may well have an equally moneysaving answer for you. Why not find out—simply by contacting him through your Goodyear Distributor—or by writing Goodyear, Industrial Products Division, Lincoln 2, Nebraska or Akron 16, Ohio.

It's SMART TO DO BUSINESS with your Goodyear Distributor, He can give you tast, dependable service on V-Belts. Hose, Flat Belts and many other industrial rubber and nonrubber supplies. Look for him in the Yellow Pages under "Rubber Goods" or "Rubber Products."

Green Scal, Compass-T. M.'s The Goodyear Ture & Rubber Company, Airms. Office.

V-BELTS with the GREEN SEAL by

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